HEALTH SERVICES AND DEVELOPMENT AGENCY JUNE 25, 2014 APPLICATION SUMMARY

NAME OF PROJECT:

West Tennessee Imaging, LLC

PROJECT NUMBER:

CN1403-008

ADDRESS:

7600 Wolf River Boulevard

Memphis (Shelby County), TN 38138

LEGAL OWNER:

West Tennessee Imaging, LLC

7600 Wolf River Boulevard

Memphis (Shelby County), TN 38138

OPERATING ENTITY:

Outpatient Imaging Affiliates, LLC

840 Crescent Centre Drive, Suite 200

Franklin, TN 38138

CONTACT PERSON:

Perry Baker

(615) 550-6044

DATE FILED:

March 14, 2014

PROJECT COST:

\$10,123,989.00

FINANCING:

Combination of Commercial Loan and Equipment

Financing

PURPOSE FOR FILING:

Establishment of an Outpatient Diagnostic Center and

the initiation of Magnetic Resonance Imaging (MRI)

Services

DESCRIPTION:

West Tennessee Imaging, LLC, a new Tennessee corporation formed in October 2013, is seeking approval for the establishment of an outpatient diagnostic center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services by relocating the Outpatient Diagnostic Center of Memphis from its present location at 5130 Stage Road in Memphis to a new facility at 7600 Wolf Boulevard in Memphis, a distance of approximately 10 miles. The proposed outpatient diagnostic center will provide MRI services and other imaging modalities in approximately 8,258 square feet of new space to be constructed in an

existing 2-story commercial building. Except for MRI, these additional imaging modalities are not reviewable under Tennessee CON law and will only be addressed in this summary to make clear how the ODC is being utilized.

Note to Agency Members: If approved, this project will not add additional MRI capacity to the service area. As noted in the Letter of Intent, application, and Attachment B of the 3/26/14 supplemental response, Outpatient Imaging Affiliates (OiA), the owner and operator of the Outpatient Diagnostic Center of Memphis at 5151 Stage Road in Memphis, Tennessee, states that it will relinquish the license for the facility and its right to provide MRI services at that location.

CRITERIA AND STANDARDS REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

The applicant is requesting the initiation of Magnetic Resonance Imaging (MRI) services. The applicant provided responses to the applicable criterion and standards to initiate MRI services.

It appears that this criterion has been met.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

Outpatient Imaging Associates, the manager of the proposed ODC, is the owner/operator of the existing ODC at 5151 Stage Road in Memphis that will be replaced by this project. The existing ODC performed 1,198, 2,214, and 2,564 MRI procedures in 2011, 2012, and 2013, respectively.

The applicant states that membership in the new LLC will include physicians of Baptist Medical Group and Mid-South Imaging and Therapeutic, P.A. The additional physician participation should greatly expand access to MRI, MRI arthrograms and other imaging modalities not offered at the existing 5151 Stage Road ODC.

It appears that this criterion has been met.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

This criterion does not apply to the proposal.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

> While the proposal seeks approval for a new ODC with MRI due to various factors, including an ownership change and the need for a larger, more accessible facility, it can be considered a relocation of an existing facility within the same service area (the Outpatient Diagnostic Center of Memphis, at 5151 Stage Road in Memphis, TN). As a result, projections are based on the MRI utilization of current Stage Road facility whose service area includes Shelby and Tipton Counties. It appears that the MRI projections also take into account the addition of MRI arthrograms with interpretation to be performed by physicians of one of the new applicant's LLC members (MSIT), and expansion of referral linkages through ownership affiliation with physicians of both MSIT and BMG.

> The applicant's methodology also includes estimates for the utilization of other modalities based on its experience in multi-state imaging facility operations and its use of a forecasting model to predict Computed Tomography, Ultrasound and X-Ray volumes in the 2county service area. The projections are discussed in further detail on pages 16 – 17 of the application, and items 17 and 6 of the 3/26/14 and 3/31/14 supplemental responses, respectively.

> Based on this methodology used by the applicant to project MRI procedures, the applicant meets this criterion.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

> The applicant maintains that the existing ODC is too small to accommodate additional imaging modalities and that patient access and parking are less than ideal. As documented in the application and

supplemental response, the utilization of the 40 MRI units located in the 2-county service area in 2012 averaged approximately 98% of the MRI utilization standard of 2,880 procedures per unit (80% of 3,600 procedures).

It appears that the application will meet this criterion.

- 3. Any special needs and circumstances:
 - a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The applicant states that the proposal for the replacement and relocation of the ODC at 5151 Stage Road in Memphis will not increase MRI capacity in the service area and is not aware of any other special needs or circumstances.

It appears that the application will meet this criterion.

b. Other special needs and circumstances, which might be pertinent, must be analyzed.

As note, the applicant is not aware of other special needs or circumstances.

It appears that the applicant meets this criterion.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.
 - 1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

The applicant plans to have a transfer agreement with Baptist Memorial Hospital- Memphis, which is located approximately 3.4 miles from the proposed ODC at 7600 Wolf River Boulevard in Memphis. A copy of same and emergency protocols of the proposed ODC were provided in Attachment P of the 3/26/14 supplemental response.

It appears that the application will meet this criterion.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states that services will be provided when medically necessary as documented by orders from referring physicians.

It appears that the application will meet this criterion.

MAGNETIC RESONANCE IMAGING SERVICES

- 1. Utilization Standards for non-Specialty MRI Units.
 - a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

As noted, the proposed ODC will not add MRI capacity to the market but will replace an existing unit. Projected utilization of MRI and other imaging modalities is noted in the table below.

	Y1	Y2	Y3	Y4
MRI	3,528	3,602	3,679	3,754
CT	1,537	1,562	1,588	1,613
Ultrasound	4,637	4,788	4,939	5,090
X-ray	2,218	2,268	2,318	2,369
Fluoroscopy	907	932	958	983

It appears that the applicant is on track to meet the MRI standard.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.
- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new

diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.
- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

The criteria identified in items 1.b – 1.e above are not applicable to the applicant's proposed ODC at 7600 Wolf Boulevard in Memphis.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant has designated Shelby and Tipton Counties in Tennessee as the proposed outpatient diagnostic center's primary service area. The applicant reports that residents of these counties accounted for approximately 83% of the existing Stage Road ODC's total utilization in calendar year 2012.

It appears that this criterion has been met.

3. <u>Economic Efficiencies</u>. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found

less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant notes that the proposal does not add MRI capacity but relocates an existing unit in operation at its 5151 Stage Road ODC facility in Memphis. Alternatives considered included keeping the MRI unit where it is presently located or negotiating shared arrangements with existing MRI units affiliated through ownership with Baptist Healthcare Corporation facilities (item 23, 3/26/14 supplemental response).

It appears that the applicant will meet this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelvemonth period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

A total of 40 stationary MRI units were operating in the 2-county service area in 2012. MRI utilization averaged approximately 2,805 procedures per unit or approximately 97% of the 2,880 standard during the period.

As noted, the proposal focuses on the replacement of an existing stationary MRI unit and will not add capacity to the service area.

This criterion does not apply to the applicant's proposal.

5. Need Standards for Specialty MRI Units.

This standard does not apply to this application.

6. <u>Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.</u>

This standard does not apply to this application.

- 7. <u>Patient Safety and Quality of Care.</u> The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
 - a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant has provided documentation in Attachment B of the application confirming that the proposed MRI meets FDA certification requirements.

It appears that this criterion has been met.

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant has provided a letter dated March 11, 2014 from an architectural firm that affirms the proposed MRI physical environment conforms to applicable codes and standards.

It appears that this criterion <u>has been met</u>.

The applicant should demonstrate how emergencies within the MRI
 Unit facility will be managed in conformity with accepted medical practice.

The applicant intends to have a transfer agreement in place with Baptist Memorial Hospital - Memphis. If necessary, a patient can be transported by ambulance 3.4 miles to this hospital. The applicant also provided documentation of emergency protocols in the application.

It appears that this criterion has been met-

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states that it will perform MRI procedures only when ordered by the patient's physician.

It appears that this criterion has been met.

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, <u>including</u> Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant indicates that the existing ODC on Stage Road in Memphis is fully accredited by the American College of Radiology (ACR) and meets ACR staffing standards. The applicant states that it will continue to meet the accreditation standards at the new facility.

It appears that this criterion has been met.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant indicates that it will continue to maintain accreditation by the American College of Radiology at the new ODC site.

It appears that this criterion has been met.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant provided documentation attesting to a transfer agreement with Baptist Memorial Hospital-Memphis that will be used for patient emergencies & transfer by ambulance, as necessary. The applicant's medical director is an active member of the medical staff at Baptist Memorial Hospital.

It appears that this criterion has been met.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant indicates data will be submitted within the expected time frame.

It appears that this criterion has been met.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration; or

HSDA staff confirmed that the proposed ODC at 7600 Wolf River Boulevard in Memphis is not located in an active medically underserved area as designated by the Health Resources and Services Administration.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

The criterion does not apply to this application.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant states that it will contract with all Tenncare managed care organizations that operate in the service area as is presently the case with the existing ODC at 5151 Stage Road in Memphis.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

The applicant states that the new 1.5 Tesla wide-bore MRI will accommodate obese patients up to 500 pounds, an increasingly large segment of the population that cannot be served by many of the MRI units in the service area. The

applicant did not identify any additional time constraints required to set-up the MRI for these patients.

It appears that special consideration may be warranted by HSDA Agency Members on the basis of the responses to 3 of the 4 factors identified in this standard.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

West Tennessee Imaging, LLC, a Tennessee corporation formed in October 2013 whose members will include Outpatient Imaging Associates of Tennessee (OiA), Baptist Medical Group and Mid-South Imaging and Therapeutics, P.A., has applied for the establishment of an outpatient diagnostic center (ODC) located at 7600 Wolf Boulevard in Memphis, Tennessee, the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services. Upon licensure and occupancy, the proposed ODC will replace OiA's existing ODC with MRI at 5130 Stage Road in Memphis whose license will be relinquished and services discontinued at that location. West Tennessee Imaging, LLC will provide the same MRI services as the existing 5130 Stage Road ODC including scans of the head, lumbar spine, cervical spine and extremities. The ODC will also offer MRI arthrograms (MRI studies of joints), and other imaging modalities not capable of being provided at the existing OiA facility on Stage Road, including computed tomography (CT), fluoroscopy, ultrasound and x-ray services.

Facility Information

West Tennessee Imaging, LLC will operate the proposed ODC with MRI in 8,258 square feet (SF) of leased space of an existing 2-story commercial building located at 7600 Wolf Boulevard, Memphis, Tennessee. An improvement allowance of \$35 per square foot build was negotiated in the lease and will offset the cost of new construction estimated at approximately \$2,353,530 or \$285/SF. The published HSDA median cost for ODC renovation projects is \$122.51 and the 3rd quartile cost is \$196.46 per square foot. Build-out of the leased space will include space for the imaging services that are noted in the Square Footage Chart (page 8 of the application) such as MRI, Fluoroscopy, and computed tomography. The applicant alleges that all construction related to imaging services will incorporate required shielding and safety related components.

The proposed ODC with MRI will contain a new wide bore 1.5 tesla Optima MRI unit financed by GE Healthcare per the terms contained in the revised equipment purchase quote contained in the March 26, 2014 supplemental response. This unit will accommodate obese patients up to 500 pounds and will replace the 1997 model 1.5 Tesla GE Signa Horizon MRI unit at OiA's existing Stage Road ODC. Medical

emergencies will be transported to Baptist Memorial Hospital-Memphis approximately 3.4 miles away. A copy of the emergency transfer agreement between the applicant and the hospital was provided with the application.

The applicant anticipates initiating services at the outpatient diagnostic center in June 2015. An overview of the project is provided on pages 6-9 of the original application.

Need

The applicant states that the proposed outpatient diagnostic center is needed for the following reasons:

- The proposed outpatient diagnostic center will provide multiple imaging modalities and increase access to services in a new facility. Current ODC owned by one of the applicant LLC members is too small to accommodate growth of services.
- Increase linkages through ownership participation in applicant LLC by multispecialty physicians of Baptist Medical Group and Radiologists of Mid-South Imaging and Therapeutics, P.A. through conditional joint venture arrangement.
- Provide physician expertise to offer new MRI arthrogram service line
- More patient friendly facility with ample parking
- Replace existing 1997 GE Signa Horizon 1.5Tesla MRI unit with new wide bore 1.5 Tesla unit

Ownership

As noted, West Tennessee Imaging is a new limited liability corporation (LLC) formed in October 2013. Under the terms of the October 4, 2013 Memorandum of Understanding, membership of the applicant LLC is expected to consist of 3 parties whose names and percentage of ownership are as follows: Outpatient Imaging Associates (15%), Mid-South Imaging and Therapeutics, P.A. (5%), and Baptist Medical Group (80%).

This new LLC appears to have been created in part, for the purpose of expanding MRI and other new imaging services at a single ODC site leading to the replacement and relocation of the existing Stage Road facility owned and operated by Outpatient Imaging Affiliates (OiA), a multi-state corporation based in Franklin, TN. In addition to participating in the ownership of the applicant LLC, OiA will also serve as the manager of the proposed ODC (copies of the OiA management agreement and the list of other OIA facilities are included in Attachment A.5 of the application and Attachment C of the 3/26/14 supplemental response). The applicant LLC will also have ties to the sole member of Baptist Medical Group, Baptist Memorial Health Healthcare Corporation (BMHC). As noted in Attachment B of the 3/3/14 supplemental response, BMHC provides hospital – based imaging

services at 5 hospitals located in Shelby and Tipton Counties. Distances between these hospitals and the applicant's ODC at 7600 Wolf Boulevard in Memphis range from 2.5 miles (Baptist Rehabilitation) to 8.3 miles (Baptist-Collierville).

Service Area Demographics

West Tennessee Imaging's declared service area includes Shelby, and Tipton Counties in Tennessee.

- The total population of the Tennessee portion of the service area is estimated at 1,007,677 residents in calendar year (CY) 2014 increasing by approximately 1.4% to 1,021,557 residents in CY 2018.
- The overall Tennessee statewide population is projected to grow by 3.7% from 2014 to 2018
- The median age is estimated at ages 37 and 34 in Shelby and Tipton counties, respectfully compared to age 33 statewide.
- The proportion of TennCare enrollees of the service area population is 28.7%, compared with the state-wide average of 18.1%.

Service Area Historical Utilization

Fixed Unit MRI 3-Year Trend

Provider	Туре	County	# of MRIs (1)	2010	2011	2012	% Standard (2)	Percent Changed
Baptist Memorial Hospital - Collierville	Hosp	Shelby	1	1,941	1,891	1,734	60%	-10.7%
Baptist Memorial Hospital - Memphis	Hosp	Shelby	3	11,517	12,052	11,913	138%	+3.4%
Baptist Rehabilitation - Germantown	Hosp	Shelby	1	1,702	1,622	1,596	55%	-6.2%
Baptist Rehabilitation Germantown - Briarcrest MRI**	H- Imaging	Shelby	0.5	370	585	650	45%	+75.7%
Campbell Clinic - Union	PO	Shelby	1	64	2,290	2,155	75%	+3200%
Campbell Clinic Inc.	PO	Shelby	1	8,081	6,502	6,321	219%	-21.8%
Delta Medical Center	Hosp	Shelby	1	880	1,006	787	27%	-10.6%
Diagnostic Imaging PC - Memphis	RPO	Shelby	1	4,540	6,358	6,638	230%	+46.2%
Le Bonheur Children's Medical Center***	HOSP	Shelby	3	3,856	4,663	5,357	62%	+38.9%
Methodist Healthcare-Germantown Hospital	Hosp	Shelby	2	8,313	7,698	6,557	114%	-21.1%
Methodist Healthcare-North Hospital	Hosp	Shelby	2	6,359	6,058	6,092	106%	-4.2%
Methodist Healthcare-South Hospital	Hosp	Shelby	1	3,536	4,073	4,139	144%	+17.1%
Methodist Healthcare-University Hospital	Hosp	Shelby	3	9,136	9,677	9,803	113%	+7.3%
MSK Group PC - New Covington Pike	PO	Shelby	1	3,420	3,096	3,140	109%	-8.2%
MSK Group, PC - Briarcrest**	PO	Shelby	0.5	4,043	4,508	4,489	312%	-11.0%
Neurology Clinic, PC****	PO	Shelby	0.5	3,370	3,168	3,160	219%	-6.2%
Outpatient Diagnostic Ctr of Memphis (fka Diagnostic Health - Memphis)	ODC	Shelby	1	2,389	2,207	2,214	77%	-7.3%
Park Avenue Diagnostic Center	ODC	Shelby	2	3,857	3,080	2,681	47%	-30.5%
Regional Medical Center at Memphis (The Med)	Hosp	Shelby	1	3,733	3,927	4,491	156%	+20.3%
Semmes-Murphey Clinic (Humphreys Blvd)	PO	Shelby	2	7,327	7,300	6,490	113%	-11.4%
St. Francis Hospital	Hosp	Shelby	3	6,159	5,482	5,393	62%	-12.4%

WEST TENNESSEE IMAGING, LLC

CN1403-008 JUNE 25, 2014 PAGE 13

St. Francis Hospital - Bartlett	Hosp	Shelby	2	3,030	3,257	3,642	63%	+20.2%
St. Jude Children's Research Hospital	Hosp	Shelby	4	9,467	10,031	8737	75.8%	-7.7%
Wesley Neurology Clinic, P.C.****	PO	Shelby	0.5	1,393	1,398	1,309	91%	-6.0%
West Clinic, P.C., The	ASTC/O DC	Shelby	1	1,304	1,662	1,564	54%	+19.9%
Baptist Memorial Hospital - Tipton	Hosp	Tipton	1	1,213	1,143	1,265	44%	+4.3%
Service Area			40	111,000	114,734	112,217	97.5%	1.2%

**Baptist Rehab Briarquest equipment is shared with MSK Group Briarcrest

****Neurology Clinic PC equipment is shared with West Neurology Clinic

- There are 26 providers of MRI services with 40 full time equivalent/stationary MRIs.
- The chart above indicates that fixed MRI volumes in the service area declined 1.1% between 2010 and 2012. Despite the decline in total volumes, MRI utilization increased for 11 of the 26 providers during the period
- Overall, the MRIs in the service area are operating at 97.5% of the MRI volume standard in 2012. When excluding the MRI units of the West Cancer Center (1 unit) and St. Jude's Hospital (4 units) due to the nature and scope of their specialty care services, the average number of MRI procedures per unit was 2,955 or approximately 103% of the MRI utilization standard.
- There are 3 outstanding CONs in Shelby County for MRI services that are listed in the section immediately following the staff summary. Of these, two CON projects will add 2 additional MRI units to the service area. There were 41 MRI units operating in Shelby and Tipton Counties as of 12/31/13.

The table below from HSDA Equipment Registry records illustrates the MRI utilization of all providers in the applicant's 2-county service area by residents of same as a percentage of total utilization of all patients of the facility.

Provider	Shelby	Tipton	Service Area total	Provider Total	Service Area as a % of Total
Baptist Memorial Hospital - Collierville	875	7	882	1,122	78.61%
Baptist Memorial Hospital - Memphis	7,662	527	8,189	9,159	89.41%
Baptist Rehabilitation - Germantown	878	44	922	1,007	91.56%
Baptist Rehabilitation Germantown - Briarcrest MRI	526	18	544	570	95.44%
Campbell Clinic - Union	1,133	28	1,161	1,207	96.19%
Campbell Clinic Inc	3,891	316	4,207	4,718	89.17%
Diagnostic Imaging PC - Memphis	5,562	295	5,857	6,343	92.34%
LeBonheur Children's Medical Center	2,133	147	2,280	3,006	75.85%
Methodist Healthcare-Germantown	5,162	69	5,231	5,608	93.28%

^{***}Le Bonheur has 3 MRIs-2 standard pediatric MRIs and an iMRI which is used specifically for neurosurgery

⁽¹⁾ There were 40 MRI units in 2012, from 39 in 2011 and 37 units in 2010.

^{(2) 3}rd Year of service standard of 2,880 MRI procedures per year is applied

Hospital	1	5	i		I
Methodist Healthcare-North Hospital	4,667	998	5,665	5,882	96.31%
Methodist Healthcare-South Hospital	3,629	3	3,632	3,651	99.48%
Methodist Healthcare-University Hospital	7,097	196	7,293	7,662	95.18%
MSK Group PC - New Covington Pike	2,355	366	2,721	2,829	96.18%
MSK Group, PC - Briarcrest	3,603	139	3,742	3,955	94.61%
Neurology Clinic, PC	2,681	128	2,809	3,001	93.60%
Outpatient Diagnostic Center of Memphis	1,443	436	1,879	2,046	91.84%
Park Avenue Diagnostic Center	2,121	79	2,200	2,304	95.49%
Regional Medical Center, The (Regional One Health)	3,209	55	3,264	3,593	90.84%
Semmes Murphey Clinic (Humphreys Blvd)	3,698	331	4,029	4,624	87.13%
St. Francis Hospital	4,354	97	4,451	4,640	95.93%
St. Francis Hospital - Bartlett	2,818	345	3,163	3,503	90.29%
Wesley Neurology Clinic, P.C.	922	105	1,027	1,086	94.57%
West Clinic, P.C., The	947	54	1,001	1,159	86.37%
Baptist Memorial Hospital - Tipton	37	700	737	942	78.24%
Within the Service Area Total	71,403	5,483	76,886	83,617	91.95%

- This table provides an estimate of the use of MRI capacity by residents of the service area and may help measure the extent of "outmigration" to MRI providers located in other areas of Tennessee or contiguous states.
- The table reflects that residents of Shelby and Tipton Counties accounted for approximately 91.5% of total MRI utilization in calendar year 2012.
- Delta Medical Center and St. Jude do not report MRI utilization by patient origin and are excluded from the table for this reason.

The following chart provides computed tomography (CT) scanning trends for the proposed ODC's service area:

Year	Units	Procedures	Procedures/Unit
2011	49	298,894	6,100/unit
2012	47	291,619	6,203/unit
2013	47*	284,050*	6,044/unit
'11-'13 % Chg.	-2 units	-5% decrease	35-110000000

Source: HSDA Equipment Registry;

^{*}St Jude and Delta Medical Center have not submitted their utilization reports for CY2013

16 Applicant's Historical and Projected Utilization

The applicant provides historical and projected MRI utilization as follows:

ODC	2011	2012	2013	2014 (est)	Year 1	Year2
Outpatient	2,207*	2,214	2,564	2,750	License	License
Diagnostic Center					surrendered	surrendered
of Memphis						ß
West Tennessee	NA	NA	NA	NA	3528	3602
Imaging, LLC						

Note: MRI utilization is based on full year per HSDA records. In CN1405-013, the applicant reported 1918 procedures for 10 months from date of acquisition of its ODC with MRI at 5151 Stage Road in Memphis

Projected utilization for computed tomography and all imaging modalities to be offered at the proposed ODC is as follows:

Service (#Units)	Year 1	Year 2	
CT	1,544	1,569	
Ultrasound	4,649	4,789	
X-Ray	2,218	2,264	
Fluoroscopy	915	934	

Source: CN1405-013

Project Cost

The total revised project cost is \$10,123,989 (Attachment N, 3/26/14 supplemental response). Of this amount, the major costs are as follows:

- Facility Lease \$3,079,800 or 30.4% of total cost
- New 1.5 tesla, wide-bore MRI unit \$3,324,702 or 33% of total cost.
- Construction plus architectural/engineering fees \$2,493,530 or 24.6% of the total cost. The new construction cost amounts to approximately \$285 per square foot.
- For other details on Project Cost, see the Project Cost Chart on page 19-R of the 3/26/14 supplemental response.

Historical Data Chart

As a newly formed Tennessee corporation, the applicant has no prior record of ODC fiscal operations. However, OiA, a member of the applicant LLC, owns and operates an existing ODC at 5130 Stage Road in Memphis known as the Outpatient Diagnostic Center of Memphis which will be replaced by the proposed ODC with MRI for this project. The applicant provided a Historical Data Chart for the Outpatient Diagnostic Center of Memphis on page 21 of the application. Some of the highlights are as follows:

 MRI utilization increased by approximately 60% from OiA's acquisition of the ODC in 2011 to 2013. No other imaging modalities were provided at the ODC.

- Profitable net operating income results for the two most recent years full years of operation reported: \$17,375 for 2012 increasing to \$212,516 for 2013.
- Net Operating Income (NOI) was favorable at approximately 19.8% of net operating revenue for the year 2013.

Projected Data Chart

As noted in the application, West Tennessee Imaging, LLC will offer a full range of imaging modalities including MRI, MRI arthrograms, fluoroscopy, ultrasound and X-ray. As a result, the financial performance of the applicant LLC will differ from OiA's experience with the existing Stage Road ODC as a result of significant increases in operating revenues, operating expenses, and capital expenditures (principle and interest). Highlights of the financial performance of the proposed ODC are as follows:

- Increase of approximately 5.2% from 12,853 total imaging procedures in Year 1 to 13,517 procedures in Year 2. Gross revenues average \$9,041,868 per year during this period.
- New operating expenses due to equipment depreciation (\$789,668 per year), OiA's facility management fees (average of \$150,000 per year), and debt service for principle and interest expenses (average of \$907,000 per year).
- As noted on page 3 of the 3/26/14 supplemental response, the applicant states that earnings before interest, taxes, debt and amortization (EBITDA) is expected to amount to approximately \$938,000 in Year 1 rising to \$1,037,009 in Year 4 of the project. In addition to EBDITA, the applicant states that the combination of equipment financing and capital contributions by the members of the LLC should be sufficient to cover initial expenses and working capital of the new ODC until positive cash flow is achieved in Year 3 of the project.
- Net operating income less capital expenditures is unfavorable at -\$769,020 in Year 1 and -\$792,964 in Year 2.
- The applicant also provides a Projected Data Chart for the MRI service in the outpatient diagnostic center. Net Operating income of this service less capital expenditures is unfavorable at -\$407,151 in Year 1 and -\$424,436 in Year 2.
- The applicant expects to serve 395 charity care patients in Year 1 increasing to 404 patients in Year 2.

Charges

• The existing Stage Road ODC's average MRI charge per procedure was \$1,369 in calendar year (CY) 2012. According to HSDA records, this was below the 1st Quartile MRI charge of \$1,580.55 and the median MRI charge of \$2,106.03 in CY2012. At approximately \$1,346 per procedure, the proposed MRI charge of the new ODC at 7600 Wolf River Boulevard will also come in below the 1st quartile and state wide median charges for CY2012.

• The applicant's proposed average CT charge per procedure is approximately \$1,110. This amount falls below the median charge of \$1,735.40 and the 3rd quartile charge of \$2,656.97 for CY2012. As noted, OiA does not provide CT services at its existing ODC at 5130 Stage Road in Memphis

Medicare/TennCare Payor Mix

- The applicant expects to contract will all Tenncare managed care plans available in the service area. OiA's existing Stage Road ODC currently contracts with United Healthcare Community Plan, BlueCare and TennCare Select.
- TennCare/Medicaid-2017 projected revenue for the proposed Wolf River ODC is \$371,674 representing 4% of total revenue in Year 1.
- Medicare- the applicant expects that \$542,512 in Medicare revenue representing 6% of total gross revenue in Year 1.
- The payor group with the most projected revenue is Commercial/Self-Pay/Other at \$8,127,682 or 90% of total projected gross revenue in Year 1.

Financing

Funding for the proposed ODC consists of a commercial loan and other sources, including equipment financing, a tenant improvement allowance of \$35 per square feet and capital contributions of the 3 members of the proposed LLC. A February 26, 2014 letter from a commercial lender for a loan amount of approximately \$4,500,000.00 is provided in the application. Additional documentation and clarification of the funding amounts from equipment financing and capital contributions of the 3 members is provided in the 3/26/14 supplemental response. The applicant expects to cover working capital needs until the proposed ODC attains positive cash flow in the third year of operations (please see explanation of same on page 3 of the 3/26/14 supplemental response).

As a new ODC with no record of financial performance, there are no financial statements for the applicant LLC. However, review of the manager's unaudited financial statements for the existing ODC at 5130 Stage Road in Memphis for the period ending December 31, 2013 revealed a combined net income amount of \$88,007 for a favorable net income margin of approximately 9.3% of net operating revenue during the period. Note: these statements primarily document operating revenues, expenses and EBITDA of OiA's facilities in Memphis, Nashville and Knoxville. Additional information to determine OiA's current ratio for same was not submitted with the application.

Staffing

The applicant's proposed clinical staffing for the proposed project is presented in the table below:

Position	FTE
	Year 1
CT/X-Ray Tech	1.50
MRI Tech II	1.33
Ultrasound Tech	1.33
TOTAL	4.16

Licensure

The proposed ODC will seek licensure by the Tennessee Department of Health. The Outpatient Diagnostic Center of Memphis, located at 5151 Stage Road in Memphis under ownership by OiA is presently licensed. A March 28, 2011 letter from Celia Skelley, Tennessee Department of Health, indicated that no deficiencies were noted at the existing ODC's 3/11/11 health licensure and fire safety surveys.

Corporate documentation, real estate deed information, and vendor equipment quotes are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for this applicant.

<u>CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA</u> FACILITIES:

There are no Letters of Intent or denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificate of Need

Methodist Healthcare-Memphis Hospitals d/b/a West Cancer Center, CN1311-043 has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of an off-campus outpatient department which included a comprehensive cancer center and two hospital based ambulatory operating rooms. The proposed project will include the following: 1) relocation of linear accelerator, position emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment; 2) replacement of MRI

equipment; and 3) an additional linear accelerator. The estimated project cost is \$60,554,193.00. Project Status Update: the project was recently approved.

Methodist Healthcare-dba Le Bonheur Children's Hospital, CN1311-042, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a pediatric center and to initiate and acquire magnetic resonance imaging (MRI) and computed tomography (CT) service and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis (Shelby County), TN and will be operated as an outpatient department of LeBonheur Children's Hospital. The estimated project cost is \$26,798,857. Project Status Update: the project was recently approved.

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is \$14,105,241.00. Project Status: The Annual Progress Report dated 1/27/14 reported that sitework and site utility work has been completed or is in progress in preparation of the new building addition. The MRI unit was installed and services initiated effective October 23, 2013. Construction of the new Pediatric Emergency addition is on schedule and final project completion anticipated by June 2015.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG; 6/11/14

LETTER OF INTENT



State of Tennessee

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in	_ which is a newspaper
of general circulation inShelby, Tennessee, on or before	March 10, 20 <u>14,</u>
for one day.	(Month / day) (Year)
4	
This is to provide official notice to the Health Services and Development Agency a accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services that:	and Development Agency,
West Tennessee Imaging d/b/a to be determined (Name of Applicant) (Fa	N/A cility Type-Existing)
owned by: West Tennessee Imaging, LLC with an ownership type of _lim	
and to be managed by: Outpatient Imaging Affiliates, Inc. intends to file an application	
•	
for [PROJECT DESCRIPTION BEGINS HERE]: Establishment of an outpatient diagninitiation of magnetic resonance imaging ("MRI") services at 7600 Wolf River Blvd., acquisition of major medical equipment (MRI). The project will require approximately construction. The project, in effect, will relocate an existing ODC, Outpatient Diagnourrently located at 5130 Stage Road, Memphis, TN 38134. Upon licensing of the profor Outpatient Diagnostic Center of Memphis will be relinquished and MRI services. The total project cost under certificate of need rules is estimated to be \$10,123,989.	Memphis, TN 38138, and y 8,258 square feet of new nostic Center of Memphis, roposed facility, the license
The anticipated date of filing the application is: March 14 20 14	_
The contact person for this project is Perry Baker (Contact Name)	CFO (Title)
	enter Drive, Suite 200
1000 1,511,000	615 / 550-6000
	(Area Code / Phone Number)
DAC 3/10/14	pbaker@oiarad.com
(Signature) (Date)	(E-mail Address)
The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the te</u> last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the protection of the following address: Health Services and Development Agency Andrew Jackson Building, 9 th Floor 502 Deaderick Street Nashville, Tennessee 37243	nth day of the month. If the eceding business day. File
The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1 institution wishing to oppose a Certificate of Need application must file a written notice with the Head Agency no later than fifteen (15) days before the regularly scheduled Health Services and Developme application is originally scheduled; and (B) Any other person wishing to oppose the application must file Services and Development Agency at or prior to the consideration of the application by the Agency. HF51 (Revised 01/09/2013 – all forms prior to this date are obsolete)	alth Services and Development nt Agency meeting at which the written objection with the Health

Error! Unknown document property name.

ORIGINAL APPLICATION

SUPPLEMENTAL-#1

March 26, 2014 2:50pm

1. Name of Facility, Agency, or Ins	<u>titution</u>	
West Tennessee Imaging, LLC, d/b/aOutp	patient Diagnostic	Center of Memphis
Name		
7600 Wolf River Blvd. Street or Route		Shelby County
Memphis City	TNState	38138 Zip Code

2. Contact Person available for Re	sponse to Questions		
Perry Baker	CFC		Imaging Affiliates
Name	Title	3	
840 Crescent Centre Drive, Suite 200 Street or Route	<u>Franklin</u> City	TN State	37067 Zip Code
Member of joint venture Association with Owner	615-550-6044 Phone Number	67 F	15-261-2300 ax Number

3. Owner of the Facility, Agency or	<u>Institution</u>	
West Tennessee Imaging, LLC Name		615-550-6044 Phone Number
7600 Wolf River Blvd. Street or Route		Shelby County
Memphis City	TNState	38138 Zip Code

A. Sole Proprietorship B. Partnership C. Limited Partnership Commercian (For Profit)	ck One) F. G. H.	Government (State of TN or Political Subdivision) Joint Venture Limited Liability Company X
D. Corporation (For Profit) E. Corporation (Not-for-Profit)	I.	Other(Specify)

SUPPLEMENTAL-#1

March 26, 2014 2:50pm

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

	Name of management/Operating	Littley (r typpic	able)
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me				
	S. J. Divis Suite 200			Williamson
0 Cr	escent Centre Drive, Suite 200			County
reet (or Route			270/7
		TN		37067
ankli	in	State		Zip Code
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			H.	Nurging Home
A.	Hospital (Specify)		H. I.	Nursing Home Outpatient Diagnostic Center X
A.	Hospital (Specify)		H. I. J.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility
A. B.	Hospital (Specify)		H. I. J. K.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice
A. B. C.	Hospital (Specify) — — — — — — — — — — — — — — — — — — —		H. I. J.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based
A. B. C. D.	Hospital (Specify)		H. I. J. K.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based Treatment Center for Opiate
A. B. C. D. E.	Hospital (Specify) — — — — — — — — — — — — — — — — — — —		H. I. J. K. L.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based Treatment Center for Opiate Addiction
A. B. C. D. E. F.	Hospital (Specify) — — — — — — — — — — — — — — — — — — —		H. I. J. K. L.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based Treatment Center for Opiate Addiction Birthing Center
D. E.	Hospital (Specify) Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty ASTC, Single Specialty Home Health Agency Hospice Mental Health Hospital Intellectual Disability		H. I. J. K. L.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based Treatment Center for Opiate Addiction Birthing Center Other Outpatient Facility
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A. B. C. D. E. F.	Hospital (Specify) Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty ASTC, Single Specialty Home Health Agency Hospice Mental Health Hospital Intellectual Disability		H. I. J. K. L.	Nursing Home Outpatient Diagnostic Center X Rehabilitation Facility Residential Hospice Nonresidential Solution-Based Treatment Center for Opiate Addiction Birthing Center Other Outpatient Facility
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SUPPLEMENTAL-#1

March 26, 2014 2:50pm

E. F.	68-11-1607 (4) MRI services X Discontinuance of OB Services Acquisition of Equipment X	H. I.	Conversion, Relocation Change of Location Other(Specify)	<u>X</u>

Bed Complement Data Please indicate current and proposed distr	Current License	_	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical					
B Surgical					
C. Long-Term Care Hospital			-		
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric		-	-		
H. Adult Psychiatric		-		+	
I Geriatric Psychiatric	-		-		
J. Child/Adolescent Psychiatric		-	-		
V Pehabilitation		-			
L. Nursing Facility – SNF (Medicare			- 24		1
only)	-	-	-		
M. Nursing Facility – NF (Medicaid	1	1			
only)		-			
N. Nursing Facility – SNF/NF (dually certified Medicaid/Medicare)					_
O. Nursing Facility – Licensed (non-	1				
Certified)		_			
P IDIHF		+=			
O Adult Chemical Dependency		_			
R. Child and Adolescent Chemical	_		-		
S. Dependency		-		_	
T. Swing Reds					
U. Mental Health Residential Treatment		-	-		
V. Residential Hospice	_	-			
TOTAL *CON-Beds approved but not yet in					

	r contitue	
10	Medicare Provider Number n/a - new entity	
10.		
	Certification Type	

- 11. Medicaid Provider Number <u>n/a new entity</u>
 Certification Type_____
- 12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes.
- 13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. United Healthcare Community Plan, BlueCare, and TennCare Select are the three managed care plan in West Tennessee. OiA currently participates in all three plans, and it is anticipated that the applicant will participate in all three plans.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility, staffing, and how the project will contribute to the orderly development of adequate and effective healthcare.

Outpatient Imaging Affiliates ("OiA"), a national owner and operator of outpatient diagnostic imaging centers and current owner of Outpatient Diagnostic Center of Memphis located at 5130 Stage Rd, Memphis, TN 38134, has entered into a mutual understanding with Baptist Medical Group ("BMG") and Mid-South Imaging and Therapeutics, P.A. ("MSIT") to relocate its current outpatient diagnostic center ("ODC") to 7600 Wolf River Blvd. While the ownership structure of the proposed facility will be different than the existing ODC, this Certificate of Need Application is essentially a relocation because the existing ODC will be closed if this application is approved.

The existing ODC has a need to upgrade the MRI equipment to better serve its patients. The current equipment is a 1997 GE Signa Horizon 1.5T. With this need and the corresponding expense, OiA further underwent an effort to evaluate if the current location was the best location to serve its patient base.

Most of the patients for the existing facility have historically originated from Shelby and Tipton Counties. The proposed new location is larger and more patient-friendly. The new

location is approximately 10 miles from the existing location. Drive time for the majority of patients will be roughly the same to the new location as it is to the existing location.

With the data suggesting potential relocation, OiA sought input from several of its referring physicians. Letters of Support from referral sources confirm that relocation will better serve their patients.

While evaluating its location options, OIA was approached by the radiology group that serves the existing facility — Mid-South Imaging and Therapeutics, P.A. — with the idea of partnering with MSIT and the Baptist Medical Group ("BMG"). BMG is the Mid-South's largest integrated not-for-profit multispecialty physician practice. It is a group of more than 500 expert primary and specialty care doctors representing over 42 specialties and practicing in locations throughout the region, including West Tennessee, North Mississippi and East Arkansas. MSIT is a private radiology practice that has served the Memphis area for over 40 years. MSIT provides diagnostic and interventional radiology services to thousands of patients in the Memphis area through the Baptist Memorial Health Care System and other providers in the Mid-South area. MSIT's physicians include a group of thirty-five radiologists that are board-certified and fellowship-trained in 7 radiology subspecialty areas including Body, Vascular Intervention, Interventional Neuroradiologists, Mammography, Neuroradiology, Nuclear Medicine and Pediatric Radiology.

MSIT and BMG have agreed to a conditional joint venture relationship under which (as the terms stipulate) the new entity, West Tennessee Imaging, LLC, was created for the purpose of replacing and relocating the existing facility by obtaining a certificate of need for the facility described in this application. OiA will relinquish the license for the existing outpatient diagnostic center upon a license being issued for the new imaging center. Thus, this project will not add MRI capacity in the market.

Services at the new facility will be MRI, CT, X-Ray, Ultrasound, and Fluoroscopy studies.

Ownership of West Tennessee Imaging, LLC, is as follows:

Baptist Medical Group ("BMG")	80%
Mid-South Imaging and Therapeutics, P.A. ("MSIT")	5%
Outpatient Imaging Affiliates of Tennessee ("OiA")	15%

The project's primary service area is Shelby and Tipton Counties. Some patients will come from adjacent areas.

The total project cost, including equipment, space lease and build out, will be \$10,123,989. The project will be financed by a combination of borrowing and cash contribution of the owners of \$1.4 million.

The center will be properly staffed with levels consistent to other imaging providers in the market and at other OiA operated locations.

The project will contribute to the orderly development of health care because it will relocate an existing facility to a new, more accessible, patient friendly building with space to accommodate new imaging modalities (CT, x-ray, ultrasound, and fluoroscopy).

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
 - A. For the establishment or modification of a healthcare institution describe the development of and need for the proposal. Health care institutions include:
 - 1. Nursing Home
 - 2. Hospital
 - 3. Ambulatory Surgical Treatment Center
 - 4. Birthing Center
 - 5. Mental Health Hospital
 - 6. Intellectual Disability Institutional Habilitation Facility
 - 7. Home Care Organization (Home Health Agency or Hospice Agency)
 - 8. Outpatient Diagnostic Center
 - 9. Rehabilitation Facility
 - 10. Residential Hospice
 - 11. Nonresidential Substitution-based Treatment Center for Opiate Addiction

Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by. identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

The project involves new construction of 6,986 square feet of shell space, on the first floor located at 7600 Wolf River Circle, Germantown, TN 38138. Construction will include the following rooms directly related to imaging: MRI exam suite, MRI equipment room, MRI control, CT exam suite, CT control, X-Ray exam suite with patient restroom, Ultrasound exam suite with patient restroom, and Radiologist/Physician reading room. All construction related to imaging will incorporate required shielding and safety related components.

Construction will include the following rooms related to support of imaging services and administrative services: main patient waiting room, reception, patient dressing and sub waiting rooms, administrative areas and offices, education/conference, break room, restrooms, janitorial, linen closets, storage rooms, and electrical/IT.

Design will be performed by an architect and engineering team, licensed in the state of Tennessee, using the codes applicable to ODCs and of the City of Germantown, TN. Construction will be performed by a contractor licensed in the state of Tennessee.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services. *Not applicable*.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

	n/a	8,258	8,258	0					E. Total GSF
		0	0	0					D. Circulation/ Structure GSF
		0	0	0					C. Mechanical/ Electrical GSF
n/a		8,258	8,258	0					B. Unit/Depart. GSF Sub-Total
n/a		6,118	6,118	0		n/a	n/a	n/a	All other rentable
n/a		132	132	0	Clinical	n/a	n/a	n/a	CT Control
n/a		459	459	0	Clinical	n/a	n/a	n/a	CT
n/a		528	528	0	Clinical	n/a	n/a	n/a	X-Ray
n/a		175	175	0	Clinical	n/a	n/a	n/a	Ultrasound
n/a		180	180	0	Clinical	n/a	114	Clinical	MR Equipment
n/a		216	216	0	Clinical	n/a	280	Clinical	MR Control
n/a		450	450	0	Clinical	n/a	675	Clinical	MR Exam Suite
Renovated	Re	Total	New	Renovated	Location	FOOTE	Ç	100001011	CARAMA DO POSTO CARAMANA
Proposed Final Cost/ SF		Square	ed Final S Footage	Proposed Final Footage	Proposed Final	Temporary	Existing	Existing	A.

- C. As the applicant, describe your need to provide the following health care services (if applicable to the application): *This is effectively a relocation of an existing facility; therefore, the applicant is not adding any new services.*
 - 1. Adult Psychiatric
 - 2. Hospital-Based Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
 - 3. Burn Units
 - 4. Cardiac Catheterization Services
 - 5. Child and Adolescent Psychiatric Services
 - 6. Extracorporeal Lithotripsy
 - 7. Home Health Services
 - 8. Hospice Services
 - 9. Magnetic Resonance Imaging (MRI)
 - 10. Neonatal Intensive Care Unit
 - 11. Opiate Addiction Treatment provided through a Non-Residential Substitution-Based Treatment Center For Opiate Addiction
 - 12. Open Heart Surgery
 - 13. Positron Emission Tomography
 - 14. Radiation Therapy/Linear Accelerator
 - 15. Rehabilitation Services
 - 16. Swing Beds
 - 17. Discontinuation of any obstetrical or maternity service
 - 18. Closure of a Critical Access Hospital
 - 19. Elimination in a critical access hospital of any service for which a certificate of need is required.
- D. Describe the need to change location or replace an existing facility. The need to change from the current location is driven primarily by two factors: 1) the need for new equipment and technology to better serve the Shelby County marketplace and 2) the need to enhance accessibility and convenience for patients and their referring physicians.
- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

- 1. For site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 - 1. Brief description of equipment including characteristics such as fixed or mobile; expected vendor and model (if known); for MRI use descriptors such as Tesla strength, open/closed bore; for linear accelerators use descriptors such as MeV strength, IMRT/IGRT/SRS capability; etc.

The MRI that WTI will purchase is a GE Optima 1.5 Tesla wide-bore unit. The scanner can support patients up to 500 pounds, which will allow WTI to better serve obese patients.

- 2. Total cost (As defined by Agency Rule 0720-9-.01(13)).
 - a. By Purchase or
 - b. By Lease

The cost of the unit is \$1.5 million. Taxes and service are \$670,000, for a total cost of \$2,170,000.

3. Expected useful life;

The expected useful life of the MRI is 5 years.

4. List of clinical applications to be provided; and

The MRI currently located at 5130 Stage Road provides scans of the head, lumbar spine, cervical spine, and extremities. The same services will be provided at the new location. In addition, the MRI at the new location will provide arthrograms, which are MRI studies of joints. Two of the MSIT radiologists who will read scans at the new location have specific expertise in arthrograms and the applicant expects patients to be referred to the facility for these procedures.

- 5. Documentation of FDA approval. Attached as Attachment B.II.E.1.a.5.
- 6. For mobile major medical equipment list all sites that the unit is currently serving and its current schedule of operations at those sites. *N/A*
- b. Provide current and proposed schedules of operations.

 The current site is open Monday Friday, 7:00 am 5:00 pm. Extended hours on these days, as well as Saturdays, are provided on an as needed basis. The proposed new site will be open Monday Friday, 8:00 a.m. 6:00 p.m., with similar extended hours as needed.
- 2. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor. In the case of an equipment lease provide a draft lease or contract that at least includes the term

of the lease and the anticipated lease payments along with the fair market value of the equipment. The MRI will be purchased. A quotation from the vendor is attached as Attachment B.II.E.2.

III. (A) Attach a copy of the plot plan of the site on an 8 ½"x11" sheet of white paper which must include: The plot plan is attached as Attachment B.III.

- 1. Size of site (in acres);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. (Not applicable to home health or hospice agency applications)

Public transportation is easily accessible on Wolf River Boulevard; there is a bus stop across the street from the facility. The Wolf River Boulevard intersection with Germantown Parkway is approximately 0.6 miles away. The site is located within 4 miles to I240. The property is located between Wolf River Boulevard, and the Wolf River biking and hiking trail.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private) ancillary areas, equipment areas, etc. on an 8 ½"x11" sheet of white paper. (Not applicable to home health or hospice agency applications)

The floor plan is attached as Attachment B.IV.

- V. For a Home Health Agency or Hospice, identify: N/A
 - 1. Existing service area by County;
 - 2. Proposed service area by County;
 - 3. A parent or primary service provider;
 - 4. Existing branches; and
 - 5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

NEED

- 1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth, if applicable.
 - a. Please discuss how the proposed project will relate to the <u>5 Principles for Achieving</u>
 <u>Better Health</u> found in the State Health Plan. Please list each principle and follow it with a response.

- <u>Healthy Lives</u>. The project will improve the health of patients because it will provide patients with better access to a full complement of diagnostic imaging services.
- <u>Access to Care</u>. The applicant plans to participate in all TennCare MCOs that operate in the area.
- <u>Economic Efficiencies</u>. This project does not add any new MRI capacity but relocates the existing service to a more convenient location.
- Quality of Care. The members of West Tennessee Imaging, LLC, have a history of providing excellent care to patients, and their involvement in West Tennessee Imaging, LLC, assures that the proposed facility will provide high quality care.
- <u>Health Care Workforce</u>. Most of the staff required for the new facility are currently employed at the existing facility, so the project will have a negligible effect on the health care workforce. In the future, West Tennessee Imaging, LLC, may participate in the training of students.
- b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the <u>Guidelines for Growth</u>) here.

For relocation or replacement of an existing licensed healthcare institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

Relocation of the existing ODC at 5130 Stage Road is not a viable alternative because (1) its location does not have the accessibility advantage of the proposed new location and (2) there is inadequate space at the existing location for the facility to be a full-service outpatient imaging center. The cost of the proposed relocation is \$10,123,989.

b. The applicant should demonstrate that there is an acceptable existing or expected future demand for the proposed project.

The MRI services at the existing location are well-utilized.

Year	2011*	2012	2013
MRI Procedures	1918	2214	2564

^{*} OiA acquired the center March 2011 so 10 months data are extrapolated for annual estimate.

It makes sense to position the center in an area most convenient to patients. To confirm the advantage of the new location, ODC of Memphis surveyed its largest referring physicians to determine the effect of relocation. Attached are six letters of support from physicians confirming the relocation.

- c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the <u>Guidelines for Growth</u>. *N/A*
- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any. The applicant has no long-range development plan other than to provide high-quality, cost-effective outpatient imaging at an accessible location.
- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.). 83% of the patients at the existing facility reside in Shelby and Tipton Counties. The applicant does not expect patient origin at the new location to be materially different. A service area map is attached as Attachment C.Need.3.
- 4. A. 1). Describe the demographics of the population to be served by this proposal.
 2). Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each country in your proposed service area:

Demographic Variable/	Shelby	Tipton	Service Area Total	State of TN Total
Geographic Area				1000
Total Population 2014 Current Year	943,812	63,865	1,007,677	6,588,698
Total Population –2015	946,559	64,759	1,011,318	6,649,438
Projected Year				
Total Population -	0.291%	1.4%	0.36%	0.92%
% Change				
*Target	745,669	51,045	79,6714	5,341,069
Population	- 1			
Current Year				
*Target	749,241	52,063	801,304	5,400,137
Population =				
Projected Year				
Target Population	0.479%	1.994%	0.576%	1.106%
- % Change				
Target Population	79.15%	80.39%	79.23%	81.21%

D 1 1 177		1		
 Projected Year 			3	
as % of Total			E	
Median Age	34.6	37.2		38.0
Median	46,251	51,847		44,140
Household				
Income				
TennCare	227,622	11,538	239,160	1,194,860
Enrollees				
TennCare	24.12%	18.07%	23.73%	18.13%
Enrollees as % of				
Total				
Persons Below	184,297	6,103	190,400	1,069,017
Poverty Level				
Persons Below	19.53%	9.56%	18.9%	16.22%
Poverty Level as				
% of Total				

^{*}Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for the discontinuance of OB services would mainly affect Females Age 15-44; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. For projects not having a specific target population use the Age 65+ population for the target population variable.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Documents how the business plans of the facility will take into consideration the special needs of the service area population.

Shelby County is poorer than the state average and has a higher percentage of TennCare enrollees. The members of WTI have a strong history of fulfilling the needs of the service area population, including providing access for poor and elderly patients. The applicant will adopt the charity care policy applicable to BMG.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. Projects including surgery should report the number of cases and the average number of procedures per case.

There are no approved but unimplemented CONs for ODCs in Shelby County. The only approved but unimplemented MRI in the service area is the Methodist Healthcare MRI that was approved at the February 2014 HSDA meeting, CN1311-042.

	UTILIZATI AREA	ON OF MRI'S IN T	THE SERVICE	
	2010	2011	2012	#units
BMH Collierville	1,941	1,891	1,734	1
BMH Memphis	11,517	12,052	11,913	3
Baptist Rehab - Germantown	1,702	1,622	1,596	1
Baptist Rehab - Briarcrest	370	585	650	1
Delta Medical Center	880	1,006	787	
LeBonheur	3,856	4,663	5,357	2
Methodist Germantown	8,313	7,698	6,557	2
Methodist South	3,536	4,073	4,139	1
Methodist North	6,359	6,058	6,092	2
Methodist University	9,136	9,677	9,803	3
Regional Med	3,733	3,927	4,491	1
St. Francis	6,159	5,482	5,393	3
St. Francis Bartlett	3,030	3,257	3,642	2
St. Jude	9,467	10,031	6,241	4
BMH Tipton	1,213	1,143	1,265	1
Campbell Clinic	8,081	6,502	6,321	1
Diagnostic Imaging- Memphis	4,540	6,358	6,538	1
MSK Group - Covington Pike	3,420	3,096	3,140	1
MSK Group - Briarcrest	4,043	4,508	4,489	
Neurology Clinic	3,370	3,168	3,160	1
Outpatient Diagnostic Center	2,389	2,207	2,214	1

Park Ave Diagnostic				2
Center	3,857	3,080	2,681	
Semmes-Murphey				2
	7,327	7,300	6,490	
Wesley Neurology				
	1,393	1,398	1,309	
West Clinic				1
	1,304	1,662	1,564	
		*		

There is 1 MRI at BMH Women's, but it only began operation in Oct. 2013, so no data is available.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of through the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

MRI Utilization

Year	2011*	2012	2013	2014**	Year 1	Year 2
MRI Procedures	1918	2214	2564	2750	3528	3602

^{*} OiA acquired the center Mar 2011 so 10 months data are extrapolated for annual estimate

Projected MRI utilization is based on the current facility's historical utilization. WTI expects to continue to see its existing patients. In addition, WTI expects some growth because the MRI at the new location will provide arthrograms, which are MRI studies of joints. Two of the MSIT radiologists who will read scans at the new location have specific expertise in arthrograms and the applicant expects patients to be referred to the facility for these procedures.

Utilization of Other Modalities

	Year 1	Year 2
CT	1,544	1,569
Ultrasound	4,649	4,789
X-Ray	2,218	2,264
Fluoroscopy	915	934

^{**2014} is an estimate.

Projected utilization of the other imaging modalities is based on the knowledge and experience of OiA from operating other full-service imaging centers. In addition, the applicant confirmed the reasonableness of the projections using a forecasting tool from the Advisory Board relative to outpatient imaging. This tool indicates total outpatient imaging volumes (excluding patients under 15) in 2012 for various modalities as follows:

CT	148,499
Ultrasound	204,217
X-Ray	479,003

The volumes projected at the proposed facility are a small percentage of the total market volumes. The applicant's confidence in the projected utilization is further enhanced based on the involvement in the project of MSIT, a large, highly respected radiology group well-known to the physician community in the area.

ECONOMIC FEASIBILITY

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the project procedures, the "per click" rate and the term of the lease.

The fair market value of the space is \$2,221,908.25 (21.653% of the total value of the land and building, which is \$10,261,460). The total amount of the lease payments over the initial term of the lease is \$3,079,800.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment, federal state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a licensed architect or construction professional that support the estimated construction costs. Please provide a letter that includes:
 - 1. a general description of the project,

- 2. estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications and requirements and
- 3. attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirement including the most recent AIA guidelines for design and Construction of Hospital and Health Care Facilities.

A letter from Jack Freeman and Associates, P.C., is attached as Attachment C.Economic Feasibility. 1.

SUPPLEMENTAL-#1

March 26, 2014 2:50pm

PROJECT COSTS CHART

A.	Cons	struction and equipment acquired by purchase:							
	1.	Architectural and engineering Fees	\$140,000						
	2.	Legal, Administrative (Excluding CON Filing Fee	e), <u>\$25,000</u>						
		Consultant Fees							
	3.	Acquisition of Site	3						
	4.	Preparation of Site							
	5.	Construction Costs	\$2,353,530						
	6.	Contigency Fund							
	7.	Fixed Equipment (Not included in Construction Contract)	\$3,324,702						
	8.	Moveable Equipment (List all equipment over \$50,000)	\$441,954						
	9.	Other (Specify)							
В.	- Acqı	Acquisition by gift, donation, or lease:							
	1.	Facility (inclusive of building and land)	\$3,079,800						
	2.	Building only							
	3.	Land only							
	4.	Equipment (Specify)							
	5.	Other (Specify)							
C.	Fina	ncing Costs and Fees							
	1.	Interim Financing	\$736,275						
	2.	Underwriting Costs							
	3.	Reserve for One Year's Debt Service							
	4.	Other (Specify)							
D.	Estin (A+F	nated Projected Cost	\$10,101,261						
-	TV .	*	\$20.707.04						
E.	CON	Filing Fee	\$22,727.84						
F.	Total	Estimated Project Cost TOTAL	\$10.123.989						

March 31, 2014 11:45am

1. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed.

X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
 B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
 C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
 D. Grants--Notification of intent form for grant application or notice of grant award; or
 E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
 X F. Other—Identify and document funding from all other sources.

A financing letter is attached as Attachment C.Economic Feasibility.2. The start-up expenses for the project are projected to be approximately \$471,000, with imaging equipment purchased through 7-year financing and the build-out of space financed with a combination of a 5-year loan of \$2,000,000 and a tenant improvement allowance of \$35 per square foot. The facility will achieve positive cash flow in the 3rd year, and the total working capital required to sustain the facility until positive cash flow is achieved is projected to be approximately \$420,000. The initial capital contribution of \$1,400,000 by the members will be more than adequate to fund the facility.

- 2. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency. The proposed construction cost is \$2,353,530 which is \$285 per square foot. This project cost is reasonable as confirmed by the architect. A significant portion of the cost is attributable to shielding for the MRI scanner. Comparisons to recently approved projects are not available from the HSDA, due to insufficient sample size. Additionally, the only ODC projects that have been approved in the last few years have been renovations, rather than new construction. A comparison of renovation cost and new construction cost is not meaningful. The information published by the HSDA for 2008-1010 shows the median cost for ODC renovation projects as \$122.51 per square foot and the 3rd quartile cost is \$196.46 per square foot.
- 3. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only.

4. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Average Gross Charge	Average Adjustment	Average Net Charge		
\$1,346	\$825	\$521		

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in <u>Jan</u> (Month)

		Y	ear 2011	Y	ear 2012	3	Year 2013
A.	Utilization Data (MRI scans)		1,599		2,147		2,564
В.	Revenue from Services to Patients 1. Inpatient Services						
	2. Outpatient Services		2,150,810		2,941,002		3,396,112
	3. Emergency Serivces						
	4. Other Operating Revenue (specify) cafeteria , gift shop, etc.						
	Gross Operating Revenue		2,150,810		2,941,002		3,396,112
C.	Deductions from Gross Operating Revenue						
	1. Contractual Adjustments		1,318,856		1,845,526		2,152,729
	2. Provision for Charity Care				23,234		101,883
	3. Provision for Bad Debt		102,809		147,050		67,922
	Total Deductions		1,421,665		2,015,810		2,322,535
	NET OPERATING REVENUE	\$	729,145	\$	925,192	\$	1,073,577
D.	Operating Expenses						
	1. Salaries and Wages		244,126		263,990		316,936
	2. Physician's Salaries and Wages						
	3. Supplies		15,180		11,885		10,008
	4. Taxes						
	5. Depreciation		22,985		30,171		30,241
	6. Rent		47,867		57,440		30,290
	7. Interest, other than Capital						
	8. Management Fees:						
	a. Fees to Affilitates	-	36,457		45,738		5,000
	b. Fees to Non-Affilitates						
	9. Other Expenses (Specify on separate page)		414,009		497,073		468,585
	Total Operating Expenses	\$	780,625	\$	906,298	\$	861,061
E.	Other Revenue (Expenses) - Net (Specify)			\$	(1,519)		
	NET OPERATING INCOME (LOSS)	\$	(51,480)	\$	17,375	\$	212,516
F.	Capital Expenditures						
	1. Retirement of Principal						
	2. Interest		11				
	= = = = = = = = = = = = = = = = = = = =						

Total Capital Expenditures	0	0	0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ (51,480)	\$ 17,375 \$	212,516

^{*}Accrued Use Tax and Accrued Use Tax Interest

^{**2011} data reflects March - December (acquired center in March 2011)

PROJECTED DATA CHART – FULL PROJECT

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January.

			Year <u>1</u>	Year 2
A.	Utilia	zation Data (all imaging procedures)	12,853	13,517
B.	Reve	enue from Services to Patients		
	1.	Inpatient Services	\$	\$
	2.	Outpatient Services	\$9,041,868	\$9,041,868
	3.	Emergency Services		
	4.	Other Operating Revenue (Specify)		
		Gross Operating Revenue	\$ <u>9,041,868</u>	\$ <u>9,041,868</u>
C.	Dedu	actions from Gross Operating Revenue		
	1.	Contractual Adjustments	\$ <u>5,649,923</u>	\$ <u>5,888,958</u>
	2.	Provision for Charity Care	\$271,256	<u>\$282,732</u>
	3.	Provisions for Bad Debt	\$180,837	<u>\$188,488</u>
		Total Deductions	\$ <u>6,102,017</u>	\$ <u>6,360,178</u>
NET	OPER	ATING REVENUE	\$ <u>2,939,851</u>	\$ <u>3,064,229</u>
D.	Oper	ating Expenses		
	1.	Salaries and Wages	\$539,146	\$ <u>548,919</u>
	2.	Physician's Salaries and Wages	\$	
	3.	Supplies	\$133,965	<u>\$136,808</u>
	4.	Taxes		-
	5.	Depreciation	\$789,668	<u>\$789,668</u>
	6.	Rent	\$281,267	<u>\$286,893</u>
	7.	Interest other than Capital	-	19
	8.	Management Fees:		
		a. Fees to Affiliates	<u>\$146,993</u>	<u>\$153,212</u>
	0	b. Fees to Non-Affiliates	фооо 7 <i>(</i> 1	¢1.042.002
	9.	Other Expenses – Specify on Page 23	\$900,761	\$1,043,923
П	0/1	Total Operating Expenses	\$ <u>2,791,799</u>	\$ <u>2,959,421</u>
E.		r Revenue (Expenses) – Net (Specify)	\$	\$
		ATING INCOME (LOSS)	\$148,052	\$ <u>104,807</u>
F.	•	tal Expenditures	ΦC00 1C0	Φ704 O24
	1.	Retirement of Principal	\$ <u>690,162</u>	\$ <u>704,034</u>
	2.	Interest	\$226,910	\$193,038 \$207,072
*******	OBEE	Total Capital Expenditures	\$917,072	\$897,072
NET		ATING INCOME (LOSS) S CAPITAL EXPENDITURES	(\$769,020)	(\$792,264)
	LES	5 CALLIAL EALENDII UNES	(\$707,040)	(\$174,40 4)

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PROJECTED DATA CHART – MRI ONLY

	Year 1	Year 2
Utilization Data (MRI scans)	3,528	3,602
Revenue from Services to Patients 1. Inpatient Services		
2. Outpatient Services	\$4,750,397	\$4,850,155
3. Emergency Serivces		
4. Other Operating Revenue (specify)		
Gross Operating Revenue	\$ 4,750,397	\$ 4,850,155
Deductions from Gross Operating Revenue		
1. Contractual Adjustments	2,688,290	2,707,486
2. Provision for Charity Care	142,512	145,505
3. Provision for Bad Debt	95,008	97,003
Total Deductions	2,925,810	2,949,994
NET OPERATING REVENUE Operating Expenses	1,824,587	\$ 1,900,161
 Salaries and Wages Physician's Salaries and Wages 	283,231	286,533
3. Supplies4. Taxes	52,731	53,838
5. Depreciation	507,044	507,044
6. Rent	174,566	178,057
7. Interest, other than Capital	,	
8. Management Fees To Affiliates	91,229	95,008
9. Other Expenses (Specify)	543,015	634,195
Total Operating Expenses	\$1,651,816	\$ 1,754,675
Other Expenses (Revenue) - Net (Specify)		

NET OPERATING INCOME (LOSS)	\$172,771	\$ 145,486
Capital Expenditures		
1. Retirement of Principal	434,856	446,399
2. Interest	145,065	123,523
Total Capital Expenditures	579,922	569,922
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$(407,151)	\$ (424,436)

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Amenda A Amenda Amenda A Amenda A Amenda Amenda A Amenda A A Amenda A A A A A A A A A A A A A A A A A A A	March 31, 2014
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Historical DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	2011	2012	EN.	2013
Professional Fees	\$ 116,663	\$ 146,353	\$	179,181
Equipment Service	\$ 81,409	\$ 126,774	\$	109,938
Billing Fees	\$ 36,457	\$ 45,738	\$	5,000
General and Administrative Expense	\$ 179,480	\$ 178,207	\$	174,466
5				
6				
7				
Total Other Expenses	\$ 414,009	\$ 497,073	\$	468,585

PROJECTED DATA CHART - H		_		
	Ye	ear 1	3	Year 2
OTHER EXPENSES CATEGORIES				
Professional Fees	\$	470,377	,	\$ 490,277
Equipment Service	\$	2.5		\$ 182,500
Billing Fees	\$	146,993		\$ 153,212
General and Administrative Expense	\$	226,391		\$ 183,854
Information Technology Related	\$	57,000		\$ 34,080
Total Other Expenses	\$	900,761	1	\$1,043,923
PROJECTED DATA CHART—		I Only – OT ar 1		R EXPENSES ear 2
OTHER EXPENSES CATEGORIES				
Professional Fees	\$	291,934	\$	304,026
Equipment Service	\$		\$	100,000
Billing Fees	\$	91,229	\$	95,008
General and Administrative Expense	\$	124,475	\$	114,010
Information Technology Related	\$	35,376	\$	21,151

1. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges. There will be no changes to charges as a result of this project. The current average gross charge is \$1,325.

March 31, 201 11:45ar

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The median gross charge for MRI services, per the HSDA equipment registry, is \$2,106.03.

Scan	Medicare Allowable	OiA Charges
Mri lumbar spine w/o dye	\$224.93	\$1,404.00
Mri jnt of lwr extre w/o dye	\$234.75	\$1,111.00
Mri neck spine w/o dye	\$224.75	\$1,354.00
Mri joint upr extrem w/o dye	\$234.43	\$1,131.00
Mri brain w/o dye	\$226.49	\$1,486.00

1. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

MRI is an existing service. This project will round out the current imaging services with CT, ultrasound, x-ray, and fluoroscopy. Adding these additional modalities in one facility will increase the cost-effectiveness of the current services because the center will be able to spread the fixed administrative costs such as patient waiting and sub-waiting, IT systems, and reception and scheduling to all modalities not just MRI. In addition, the applicant anticipates some of the clinical staff will be cross trained on different modalities providing for an efficient level of staffing.

It is anticipated that upon opening of the location, the partners will fund the entity with \$1.4 million in working capital to cover the center's startup phase.

Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

The center currently is enrolled with Medicare and TennCare/Medicaid. There are no restrictions or limitations for patients to use the services of the facility. The center treats all patients regardless of their ability to pay for services and will continue this policy at the new location. As mentioned above, the facility will adopt the charity care policy of BMG and its affiliates.

Year 1

	2000.	
	Gross Revenue	Percentage of Overall Revenue
TennCare/Medicaid	\$361,674.72	4%
Medicare	\$542,512.08	6%
Charity Care	\$271,256	3%

- 9. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10. Financial information for the existing facility is attached as Attachment C, Economic Feasibility-10. The facility does not have an audited financial statement for 2013. The attached statement is for the OiA entity that owns 3 facilities in Tennessee: Outpatient Center of Memphis, Outpatient Center of Nashville, and Outpatient Center of Knoxville.
- 10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

This application is to relocate an existing MRI unit currently operating in the market. The other alternative is to keep the MRI unit where it is. After consideration this idea was rejected for the following reasons. First, the new location for the facility is more centrally located to the patient base. Second, this project will round out the current imaging services with CT, ultrasound, x-ray, and fluoroscopy. There is not enough space in the current location to add these modalities. Additionally, the existing location is not as accessible for elderly or handicapped patients. Because it is in a strip-mall, patients have to park in the general retail parking lot and walk to the facility. The new location allows for dedicated parking, close to the building, with a covered patient drop off area.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services. The applicant will have a transfer agreement with Baptist Memorial Health Care. A list of entities with which WTI will have contractual agreements is attached as Attachment C.Contribution to the Orderly Development of Health Care. 1.
- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project. This application is to, essentially, relocate an existing MRI scanner; therefore, this project will not add MRI capacity in Shelby County. There will be no negative effect on existing providers.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Position	FTE	Salary	Dept. of Labor Salary Rate
MRI Technologist	1.33	\$60,000	\$59,000
Ultrasound Technologist	1.33	\$60,000	\$59,000
X-Ray/CT Technologist	1.5	\$60,000	\$59,000

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Substance Abuse Services, and/or the Department of Intellectual and Developmental Disabilities licensing requirements.
 - Most of the staff that will be needed is currently employed at the existing OiA facility. Additional staff members will be needed for ultrasound, x-ray, and CT. The applicant does not anticipate any difficulty in hiring qualified staff.
- Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education. The existing facility is licensed by the State of Tennessee. The applicant has reviewed and understands all licensing requirements.
- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).
 - The existing facility does not participate in the training of students. West Tennessee Imaging, LLC, may participate in the training of students in the future because of the involvement of BMG and MSIT as partners in the joint venture.
- a. Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Substance Abuse Services the Department of Intellectual and Developmental Disabilities, and/or any applicable Medicare requirements. The applicant is aware of and will comply with all licensing requirements for ODCs.
 - b. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.
 - Licensure: The applicant will be licensed by the Tennessee Department of Health.
 - Accreditation: The applicant will seek accreditation by the American College of Radiology.
 - c. If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility. *The applicant is*

- not currently licensed. OiA is currently licensed as an ODC, and a copy of that license is attached as Attachment C.Contribution to the Orderly Development of Health Care.7.c.
- d. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction. Please also discuss what measures the applicant has or will put in place to avoid being cited for similar deficiencies in the future. A copy of the most recent survey is attached as Attachment C. Contribution to the Orderly Development of Health Care. 7.d.
- 8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held. *None*
- 9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project. *None*
- 10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

The Applicant will provide all required information to state and federal agencies.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): June 25, 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Pha	se	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1.	Architectural and engineering contract signed	40	7/30/2014
2. Dep	Construction documents approved by the Tennessee artment of Health	30	9/1/2014
3.	Construction contract signed	33	9/1/2014
4.	Building permit secured	42	10/13/2014
5.	Site preparation completed	_14	10/20/2014
6.	Building construction commenced		10/20/2014
7.	Construction 40% complete	70	12/22/2014
8.	Construction 80% complete	65	3/12/2015
9.	Construction 100% complete (approved for occupancy)	33	4/14/2015
10.	*Issuance of license	14	5/1/2014
11.	*Initiation of service	14	5/1/2014
12.	Final Architectural Certification of Payment	35	6/29/2014
13.	Final Project Report Form (HF0055)	21	6/20//2015

^{*} For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

If litigation occurs, the completion forecast will be adjusted at the time of the final determination Note: to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Signature/Title

NOTARY PUBLIC

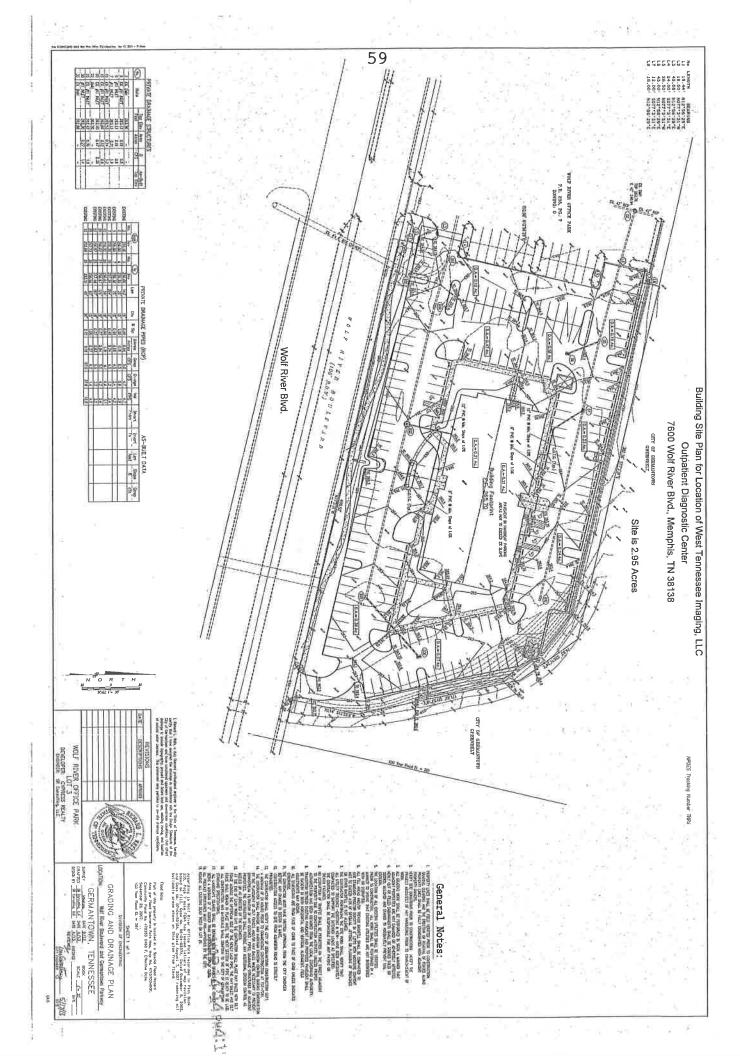
My Commission expires April 15, 201

STATE OF TENNESSEE NOTARY PUBLIC

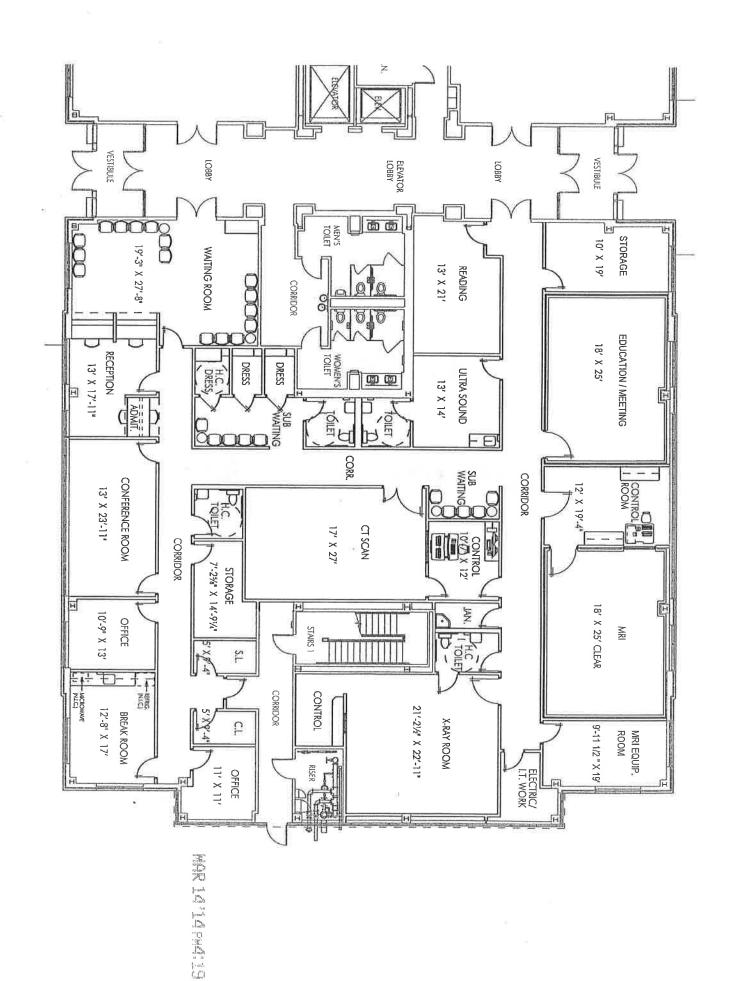
HF-0056

Revised 7/02 - All forms prior to this date are obsolete

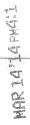
B. III Plot Plan



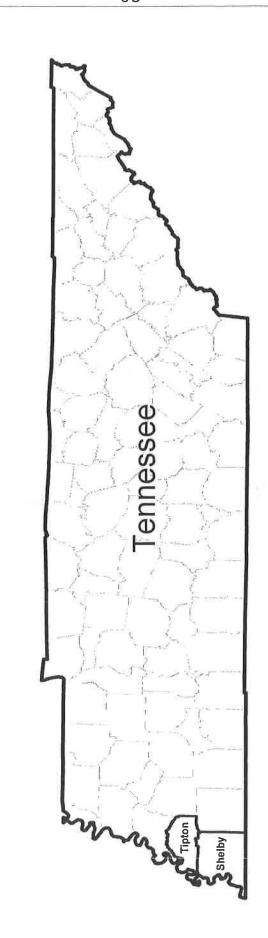
B. IV. Floor Plan



C.Need.3. Service Area Map







C.Economic Feasibility.1 Architect's Letter

JACK FREEMAN AND ASSOCIATES, P.C.

Architect and Planners

311 22ND Avenue, North Nashville, Tennessee 37203 (615) 329-2424 Fax (615) 329-2161

March 11, 2014

Melanie Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, TN 37243

Re:

Outpatient Diagnostic Center

Memphis, Tennessee

Dear Ms. Hill:

The proposed project will be a tenant build-out on the 1st floor of an existing building located in Germantown, Tennessee. The services provided will include MRI, CAT Scan, X-Ray and Ultrasound. Administrative and staff functions will be provided as well as medical support.

We have reviewed the construction cost of \$2,353,530.00 for the project, and find the cost to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflation projections.

We affirm to the best of our knowledge, the design intended for the construction of the referenced facility will be in accordance with the following codes and standards. This list may not be entirely inclusive, but the intent is for all applicable codes and standards, state or local to be addressed during the design process.

- AIA Guidelines for the Design and Construction of Healthcare Facilities.
- International Building Code
- International Plumbing Code
- International Mechanical Code
- National Electric Code
- International Fire Code
- NFPA Life Safety Code 101
- Rules of Tennessee Department of Health and Environment Board for Licensing Healthcare Facilities
- Americans with Disabilities Act

Please contact me if you need any further information concerning this project.

Sincerely,

JACK FREEMAN AND ASSOCIATES, P.C.

Jack W. Freeman

President

JWF/sd

JACK FREEMAN AND ASSOCIATES, P.C.

■ Architect and Planners

■ 311 22ND Avenue, North Nashville, Tennessee 37203 (615) 329-2424 Fax (615) 329-2161

March 11, 2014

Melanie Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, TN 37243

Re: Outpatient Diagnostic Center

Memphis, Tennessee

Dear Ms. Hill:

Our firm has reviewed the construction cost indicated as \$2,353,530.00 for the referenced project and find the cost to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflation projections. We also have estimated architectural and engineering fees of \$140,000.00 for the project which would include engineering services for civil, structural, HVAC, plumbing and electrical design.

Sincerely,

JACK, FREEMAN AND ASSOCIATES, P.C.

Jaok W. Freeman

President

JWF/sd

C.Economic Feasibility.2. Financing Letter



Key Equipment Finance Inc. 6115 Polo Club Drive Cumming, Ga. 30040 Tel: 770-888-8114 James _V_Seiferth@key.com

February 26, 2014

Evans Smith
Director of Finance & Strategic Contracts
Outpatient Imaging Affiliates, LLC
840 Crescent Centre Drive, Suite 200
Franklin, TN 37067

RE: Financing Term Sheet proposal for diagnostic imaging equipment located in Memphis, TN.

Dear Mr. Smith:

On behalf of Key Equipment Finance Inc. ("KEF") we are pleased to present the following term sheet to finance certain capital equipment for the Customer(s) named below (the "Transaction") subject to the following terms and conditions:

Funding Source:

Key Equipment Finance Inc. NYSE: ("KEY")

Customer:

Outpatient Imaging Affiliates, LLC ("OIA" or "Customer")

Equipment Location:

7600 Wolf River Boulevard Germantown, TN 38138

Collateral:

High field MRI System, CT, Ultrasound, X-ray and fluoroscopy room.

Applicable construction leasehold improvements

(together with all additions, attachments and proceeds of the

Collateral).

Total to be Financed:

Equipment cost not to exceed \$2,520,000

Leasehold Improvements not to exceed \$2,000,000

Credit Conditions:

1. First priority perfected lien on the new equipment and related

leasehold improvements

2. Latest year-end financial statements

Term/Payment Terms:

Conditional Sales Contract: Payments will be due monthly in advance

based on the following repayment terms:

Leasehold Improvements:

Months 1 – 60 @

\$37,742.57

Equipment

Months 1 – 84 @

\$35,617.45

Closing of this transaction will take place no later than December 31, 2015.

Progress/Term Payments:

The schedule of payments, as well as all other terms of the Transaction including Hitachi's progress payment terms (down-payment/delivery payments), will be detailed in a loan and security agreement or lease agreement, promissory note or other evidence of indebtedness executed in connection with the Collateral (together with all other documents executed in connection with the Transaction, the "Funding Documents"). Maintenance, insurance, taxes and other expenses of a similar nature will be the responsibility of the Customer.

Fees:

Documentation fee of \$1,000.

This term sheet is provided for illustration purposes and is subject to underwriting procedures including review of customers financial statements, tax returns and the like. The funding of this Transaction shall be subject to federal regulatory checks, including (1) the embargoed country list published from time to time and (2) clearing Office of Foreign Assets Control (OFAC). If you have any questions about the SDN list or the embargoed country list, please contact OFAC directly at 1 (800) 540-6322.

The Funding Documents will be in the standard form customarily required by KEF and will include additional terms and conditions not discussed above (*provided*, the failure by KEF and Customer to mutually agree to such documents shall not be deemed to be a breach of this term sheet by either KEF or Customer). At the date of closing the Transaction(s), the collateral, financial condition and credit standing of Customer, and all features of this Transaction, will be as represented to KEF at the time of credit approval, without material adverse change. In the event of bankruptcy or insolvency or adverse material change in the collateral or creditworthiness of Customer, this term sheet will terminate upon notice by KEF. This Term Sheet is non-assignable by Customer, and its terms shall not be disclosed by Customer except to its legal and financial advisors. This Term Sheet supersedes any prior Term Sheet, offers, or agreements, written or oral, concerning the proposed Transaction and can only be modified in writing.

Sales Tax Exemption

For us to qualify for your sales tax exemption, a valid tax exemption certificate, satisfactory in all respects to us, for the state where the Equipment will be located will be required at lease closing.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR APPLYING FOR FINANCING WITH US

To help the government fight the funding of terrorism and money laundering activities, federal law requires us to obtain, verify, and record information that identifies each customer who opens an account or applies for financing. Therefore, all new and existing customers are subject to the identity verification requirements.

When a customer applies for financing with us, we will ask for the customer's name, address and identification number, and, in the case of an individual, his or her date of birth. For business accounts, we may also obtain this information for individuals associated with the business. We may also request to see a driver's license or other identifying documents. In all cases, we are committed to protecting the privacy and identity of each of our customers.

This Term Sheet is issued in reliance upon the accuracy of all information, representations and exhibits presented by Customer to KEF and is also contingent upon the absence of any material adverse change in Customer's financial condition from the condition as it was represented to KEF at the time of credit approval.

If the terms and conditions of the Term Sheet are acceptable, please sign a copy of this letter, as provide	d below, and
return it to our attention.	

We value the opportunity to do business with you and look forward to a long-term, mutually beneficial relationship.

Sincerely,

Jim Seiforth

Jim Seiferth Key Equipment Finance

CC: Larry Hargrove

C.Econimic Feasibility.10. Financial Statement

02/02/14 02:45 PM

DEC 2013	(\$6,316) 879,452 150,971 4,116,226	\$5,140,332	\$114,463 964,838 26,795 636,339 2,685,780	4,428,215	\$3,497,543 (2,293,444) (491,982)	\$712,117	\$5,140,332
	ASSETS Total Cash Trade Accounts Receivable Other Current Assets - Prepaids Property & Equipment, Net Due from Affiliate	Total Assets	LIABILITIES Trade Accounts Payable Accrued Expenses Due to Affiliate Current Portion of Long Term Debt Long Term Debt	Total Liabilites	EQUITY Member Contributions Member Distributions Accumulated Income/(Deficit)	Total Equity	Total Liabilities & Equity

2013	\$3,396,110 (2,266,031)	1,130,079 (179,181)	\$950,898	316,936 109 938	87,244 10.008	53,679 53,679	56,504	\$687,988		8,887 7,425	2,911 125,439	\$144,662	\$118,248	30,241 0		9.3%
	REVENUES Gross Revenue Less: Contractual Adjustments	Global Revenue Less: Interpretation Fees	Technical Revenue	OPERATING EXPENSES Salaries & Benefits Equipment Lease & Service	Facility & Related Medical Supplies	Management Fees Billing Fees	Bad Debt Expense	Total Operating Expenses	SELLING AND ADMINISTRATIVE	Sales & Marketing Outside Professional Fees	Travel & Entertainment Other SG&A	Total SG&A	EBITDA	Depreciation & Amortization Other Non-recurring (Income) Expens	Net Income/Loss	Net Income Margin

02/02/14 02:45 PM

C.Contribution to the Orderly Development of Health Care.1.

Contractual Relationships

20252999ButlerSnow

411 Pain
Absolute Solutions, LLC
ADIN
Aetna
Amerigroup
Blue Cross Blue Shield of Tennessee (all plans)
Care IQ
Champ VA
Cigna (through MedSolutions)
Coast 2 Coast
CorVel
Coventry
Direct Pay Provider Network
Fed Ex Work Comp
Fortified Provider Network
Galway Medical Funding
Genex
Government Employees Health Association (GEHA)
Great-West Healthcare (through MedSolutions)
HealthSmart Payor Organization
HealthSouth Corporation
HealthSpring
Humana
Humana Military (Tricare)
Imaging Network Group
Injury Finance
Johnston & Associates, Inc. (Occusure)
Key Health
MedChex
MedFocus
Medicaid - Arkansas
Medicaid - Mississippi
Medicaid - Tennessee
Medicare - Railroad (Palmetto GBA)
Medicare (Cahaba)
MedSolutions
Mississippi Physicians Care Network
Multiple Sclerosis Association of America
National Imaging Associates (Magellan)
Next Imaging Medical/Select MRI
NHBC, a PHX Company

2005	
Occucomp	
One Call Care Diagnostics	
Ortho USA	
Preferred Health Patnership of Tennessee, Inc.	
Preferred Medical Claim Solutions	
Premier Comp Solutions	
Prime Health Services	
Rockport Healthcare	
Spreemo	
Sterling Health Plans	
Tech Health	
The Reny Company	
Three Rivers Provider Network	
UMWA Health and Retirement Funds	
United Healthcare (all products)	
US Department of Labor - Black Lung	
US Department of Labor - Energy	
US Department of Labor - FECA	
US Imaging	
Windsor Health	

C.Contribution to the Orderly Development of Healthcare.7.c.

License

Board for Licensing Health Care Facility

State of 1800

Tennessee

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

DIAGNOSTIC HEALTH CENTERS OF TENNESSEE LLC to conduct and maintain

In Witness Whereof, we have hereunto set our hand and seal of the State this 11TH day of MARCH In the Speciality (ies) of: MRI laws of the State of Tennessee or the rules and regulations of the State. Department of Health issued thereunder and shall be subject to revocation at any time by the State Department of Kealth, for failure to comply with the to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, Ohis licenise shall expire



MMISSIONER

C.Contribution to the Orderly Development of Healthcare.7.d.

Survey



STATE OF TENNESSEE DEPARTMENT OF HEALTH

WEST TENNESSEE HEALTH CARE FACILITIES
2975C Highway 45 Bypass
JACKSON, TENNESSEE 38301
731-984-9684

March 28, 2011

Tracy Clark, Manager Diagnostic Health of Memphis 5130 Stage Road Memphis, Tennessee 38134

RE: Health Licensure Survey 3/14/11
Fire Safety Licensure Survey 3/14/11

We are pleased to advise you that no deficiencies were cited as a result of the licensure surveys conducted at your facility on the above dates. The enclosed forms are for your records.

Thank you for the consideration shown during this survey. If this office may be of any assistance to you, please do not hesitate to call Celia Skelley 731-984-9711.

Sincerely,

Celia Skelley, RN, MSN

Public Health Nurse Consultant 2

Skelly PAnca

CES/bb C

Enclosure

If continuation sheet 1 of 1

Division of Health Care Facilities STATEMENT OF DEFICIENCIES (X3) DATE SURVEY (X1) PROVIDER/SUPPLIER/CLIA (X2) MULTIPLE CONSTRUCTION AND PLAN OF CORRECTION COMPLETED **IDENTIFICATION NUMBER** 77 - HEALTH SOUTH DIAGNOS A. BUILDING B. WING **TNPL55739** 03/14/2011 STREET ADDRESS, CITY, STATE, ZIP CODE NAME OF PROVIDER OR SUPPLIER **5130 STAGE ROAD** DIAGNOSTIC HEALTH, MEMPHIS **MEMPHIS, TN 38134** PROVIDERS PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION (X5) COMPLETE DATE (X4) ID PREFIX PRÉFIX TAG TAG G 002; 1200-8-35 No Deficiencies G 002 . met as evidenced by. This Rule is During the annual survey completed on 3/14/11, this facility was found to be in compliance with the Life Safety Code requirements of the Tennessee Department of Health, Board for Licensing Health Care Facilities, Chapter 1200-8-35, Standards for Outpatient Diagnostic Centers. Division of Health Care Facilities TITLE (X6) DATE LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVES SIGNATURE

MXXF21

STATE FORM

Division of Health Care Facilities (X3) DATE SURVEY STATEMENT OF DEFICIENCIES (X1) PROVIDER/SUPPLIER/CLIA (X2) MULTIPLE CONSTRUCTION AND PLAN OF CORRECTION COMPLETED IDENTIFICATION NUMBER: A. BUILDING B. WING **TNPL55739** 03/14/2011 STREET ADDRESS, CITY, STATE, ZIP CODE NAME OF PROVIDER OR SUPPLIER **5130 STAGE ROAD** DIAGNOSTIC HEALTH, MEMPHIS MEMPHIS, TN 38134 PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR USC IDENTIFYING INFORMATION) (X5) COMPLETE DATE (X4) ID PREFIX TAG PREFIX TAG G 001 1200-8-35 Initial G 001 This Rule is met as evidenced by: An annual survey was conducted at this agency on 3/14/11. This agency meets all licensure requirements for an outpatient diagnostic center. Division of Health Care Facilities TITLE (X6) DATE LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE STATE FORM If continuation sheet 1 of 1 DF5G11

LETTERS OF SUPPORT



March 6, 2014

Outpatient Diagnostic Center of Memphis 5130 Stage Road Memphis, TN 38134

Attn: Tracy Dabaldo, Administrator

Dear Tracy:

Thank you for reaching out to One Call Care Diagnostics about your proposed move to the Germantown/Wolf River corridor. We received this news with great enthusiasm.

OCCD referred approximately 870 patients to your facility in 2013. Currently OCCD works with over 1,000 payers on a national level. Because of our national payer relationships, OCCD frequently receives referrals for the Memphis TN market from payer offices both within the Memphis area as well as neighboring states. Specific to the Memphis area, we currently receive referrals from over 50 payer offices. We strongly support this move and feel it would significantly benefit the majority of our injured workers and affiliated providers. You have our full support.

If there is anything else we can do to further assist you, please do not hesitate to ask.

Thank you and best of luck on the proposed move.

Sincerely,

Stephen P. Ellerman

Vice President Provider Development

The Injury Medical Center of Memphis 2832 Coleman Road Memphis, TN 38128 901-377-2334

February 10, 2014

Outpatient Diagnostic Center Tracy Dabaldo- Director

Letter of Support

Mrs. Dabaldo,

As requested, we are writing your facility a letter of support. We do intend to utilize your new facility and staff, if your owners decide, to relocate the Stage Road location to Wolf River Blvd. The service and quality you and staff provide is unmeasurable and we would not change due to the unsurpassed customer quality not only to us; but to our patients.

Although, the convenience of your Stage Road location is definitely advantageous for us and our personal injury patients that are referred by 1-800-411-PAIN, business needs change. Your news comes at a great time for us, as we are continuing to expand as well.

We look forward to continuing to refer our MRI patients to you and hope that your facility will add much needed other modalities such as CT, ultrasound, X-Ray and other machines and devices pertinent to the needs of the Memphis- Germantown medical community.

We would like to take the time to thank you, for your commitment, for serving our patients and we look forward to a long referral relationship to come!

Good luck to you and your staff as your business continues to grow.

Best Regards.

Kelly D. Cassriel

affeill

President





February 14, 2014

Tracy Dabaldo
Administrator, Outpatient Diagnostic Center of Memphis
5130 Stage Road
Memphis, TN 38134

Dear Ms. Dabaldo:

Please let this letter serve as documentation of support for your facility moving to the Germantown area. Our patients have received excellent service at your institution and I will continue to refer our patients for your services when you move to the Germantown area.

Again, thank you for the excellent care for our patients. Please do not hesitate to contact me if you need any additional information.

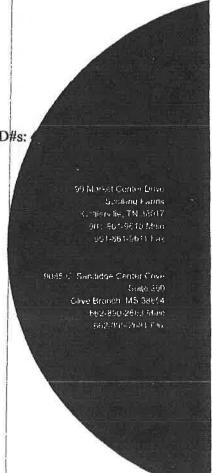
Sincerel

Jeffrey A. Dlabach, MD

JAD/qed

DD: 02/14/2014 09:48:00 Job#: 6036

DT: 02/14/2014 08:07:57 QED#s:





Attn: Tracy Daba do, Administrator
Outpatient Diagnostic Center of Memphis
5130 Stage Rd
Memphis, TN 38 34
801-365-2636 (Phone)
901-365-0550 (Fax)

Dear Tracy,

It has come to the attention of Laura Lendermon, M.D. and Murray Butler, D.P.M of Lendermon Sports Medicine in Collierville, TN that the Outpatient Diagnostic Center of Memphis is planning on relocating and/or moving to Germantown. This is wonderful news and we are very excited at the prospect of having your facility move closer to our office. We currently refer patients to the location on Stage Road, however, a Germantown location would better serve our patients' needs and will most likely result in an increase in patient referrals.

Jennifer Denham

Office Manager

Lendermon Sports Medicine 9950 Crooked Greek Dr.

Collerville, TN \$8017

P: 901.850.5756

F: 901.850.591

9950 Cronked Creek Drive
Collierville, Tennessee 38017
p: 901, 850, 5756 - 1: 901, 850, 5911
lendermousportsmedicine.com



Mailing Address: 8355 Gunn Hwy Tampa, FL. 33626 P: 1-866-936-6122 F: 1-866-606-1122

February 10, 2014

ODC of Memphis Memphis, TN.

RE Germantown business

To whom it may concern,

Should ODC move to Germantown from there current location it will afford the opportunity for OrthoUSA to send additional business to the facility besides what is already currently being sent on a monthly basis. At this time there is no other facility in the 200 mile radius allowing OrthoUSA to send personal injury patients from our facility to a facility for an MRI scan on a lien basis.

OrthoUSA looks forward to this move to Germantown.

GEORGE LEROE

President

2/10/14



Carl J. Siciliano, D.P.M., F.A.C.F.A.S.

Board Certified, American Board of Podiatric Surgery Member, American Podiatric Medical Association Fellow, American College of Foot and Ankle Surgeons Member, Tennessee Podiatric Medical Association Residency Trained, Podiatric Surgery

February 26, 2014

Outpatient Diagnostic Center of Memphis 5130 Stage Rd Memphis, Tennessee 38134

To Whom It May Concern:

Should the above listed facility choose to move to the Germantown area, both of our physicians would continue to refer our patients to this facility.

We appreciate the excellent working relationship we have with Outpatient Diagnostic Center of Memphis, and feel the employees do go out of their way to accommodate our patients' needs.

Yours truly,

Darrelyn (Dee) McLendon, MA/OM

SUPPLEMENTAL #1

SUPPLEMENTAL- # 1 March 26, 2014 2:50pm

March 26, 2014

Jeff Grimm HSDA Examiner Tennessee Health Services & Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

Re: West Tennessee Imagining, LLC - CN1403-008

Dear Mr. Grimm,

1. Section A, Applicant Profile Item 2 and Item 5 (name and address of contact person and management operating entity)

Your responses are noted. Please note the discrepancy of the contact's address and the zip code of the management entity with the address identified in the publication of the letter of intent and elsewhere bin the application. Please provide a revised application page correcting the name of the city and the correct zip code for these items. Revised pages 1-2 are attached as Attachment A.

2. Section A, Applicant Profile, Item 4

Discussion of the proposed organizational and business relationships among the entities is noted. Please provide the names of the members of West Tennessee Imaging, LLC whose percentage of ownership in the new LLC is in excess of 5% or greater. Please see page 5 of the application of the owners and their percentages of ownership.

The Memorandum of Understanding (MOU) between the parties for the establishment of a joint venture to be organized as a Tennessee Limited Liability Company is noted. Please identify the effective date of the execution of the proposed MOU. The effective date was October 4, 2013.

The MOU also states that Outpatient Imaging Affiliates, LLC will relinquish the license of its existing ODC at 5130 Stage Road in Memphis, TN upon a license being issued for the proposed Imaging Center at 7600 Wolf River Blvd, Memphis, TN (also noted in published LOI and in Section B.I, page 5). There is no note or mention of MRI services being discontinued nor surrender of same first approved in the certificate of need, 89-CN-172. Please also provide a letter from Outpatient Imaging Affiliates saying it will surrender the license of the ODC and its rights to provide MRI services if this application is approved.

Oi will relinquish both the license for the facility and its right to provide MRI services at that location. A letter to that effect is attached as Attachment B.

3. Section A, Applicant Profile, Item 5

Please provide a brief description of the management entity's expertise to operate this facility/service. Brief bio's outlining areas of expertise and experience of the senior management will be helpful.

March 26, 2014 2:50pm

Please provide a list of other healthcare facilities with which the management/operating entity has affiliations and/or management contacts, both current and proposed. In your response, please identify & briefly describe the manager's participation in any certificate of need projects that may be similar to the proposed ODC, including those projects involving the development and implementation of a joint venture similar in nature and/or scope to this proposal.

Information regarding OiA's experience is attached as Attachment C.

4. Section A, Applicant Profile, Item 6

The response to this item and copy of the proposed lease agreement for the site is noted.

Please be advised that the earliest possible date for the Agency to hear your CON application is (June 2014). The Agency requires that the applicant's control of the site must be enforceable through at least an option to lease at the time the Agency hears the application. Please provide a fully executed Option to Lease that at least includes the expected term of the lease, the anticipated lease payments and an expiration date which demonstrates the applicant has a legal interest in the property beyond the time of the HSDA hearing of the application.

The executed lease is attached as Attachment D.

5. Section A, (Applicant Profile) Item 8

As noted in the applicant's letter of intent, the project involves the establishment of an ODC and the initiation of MRI services. Given the formation of a new LLC developed for this project, it appears that the applicant should also check the space next Item D. for the "Initiation of Health Care Service – MRI services" in addition to those items already checked. Please revise this page.

A revised page 3 is attached as Attachment E.

6. Section B, Project Description, Item 1

The executive summary with description of the project is noted. In addition to the information provided, additional information may be helpful. Please note the following:

The applicant states that the primary service area includes Shelby and Tipton Counties and patients may come from adjacent areas. Please identify the names of any Tennessee counties and counties of other states that will comprise the applicant LLC's secondary service area for the proposed ODC. In your response, please provide a brief description of the number of patients and MRI procedures attributed to residents of the SSA during 2013 and the number projected for the first year of the project.

Fayette County accounted for 4.83% of MRI volume in 2013 and is the secondary service area for the project. No other county in Tennessee is responsible for more than 3% of patient volume. It is expected that patient origin will remain the same for the new facility.

	2013	Year 1
Fayette County	124	134

^{*} numbers are approximate

SUPPLEMENTAL-#1

Jeff Grimm March 26, 2014 Page 3

March 26, 2014 2:50pm

If this project is approved, does the applicant expect to receive and accept referrals from other area physicians in addition to referrals from physicians of the applicant LLC (Baptist Medical Group and Mid-South Imaging and Therapeutics)?

The applicant expects to continue to receive referrals from its existing referral sources. This is confirmed by the letters of support included in the application and the additional letters attached to these responses as Attachment F.

Please identify the key MRI modalities that will apply by quantifying the estimated MRI utilization by type, including arthrograms, for the first full year of the project. *See response to question 17*.

It appears that Medicare and TennCare/Medicaid may account for approximately 10% of the applicant's projected payor mix. Please include a brief description of the projected payor mix for the proposed ODC, with names of other major third party payors that will apply. In your response, please briefly describe the impact to the proposed payor mix resulting from the health insurance exchange/marketplace in Tennessee implemented as a result of the Affordable Care Act.

The projected payor mix is 6% Medicare, 4% TennCare/Medicaid, 61% workers compensation, 24% commercial insurance, and 5% Tricare/Champus. The top three commercial payors of the existing facility are BlueCross BlueShield of Tennessee, United, and Cigna, and this is not expected to change. The impact of the health insurance exchange/marketplace is unknown, but it is not expected to be material.

Please address the projected financial performance of the applicant LLC by briefly describing measures to be taken to ensure that the proposed ODC will be financially profitable and the expected timeframe for same.

The actual financial performance of the facility is somewhat distorted by the requirement in the Projected Data Chart to include both retirement of debt and depreciation. Equipment is depreciated over 5 years and leasehold improvements are depreciated over 7 years, even though in both categories the actual useful life is considerably longer for the assets being depreciated. A widely-used reference for financial performance is EBIDTA (earnings before interest, depreciation, taxes, and amortization). EBITDA for the facility in year 1 is projected to be \$938,000 rising to \$1,037,009 by year 4. The initial capital to open the facility will be modest, approximately \$471,000, with the fixed equipment purchased through 7-year financing and with build out of the space financed by the combination of a 5-year loan of \$2,000,000 plus a tenant improvement allowance of \$35 per square foot. The facility is projected to achieve positive cash flow in the 3rd year, and total working capital required to sustain the facility until positive cash flow is achieved is projected to be approximately \$420,000. The initial capital contribution of \$1.4 million by the members of the applicant should be more than adequate to cover initial expenses and working capital until positive cash flow is achieved.

The applicant states that the project will be financed by a combination of borrowing and cash contributions of the owners of \$1.4 million. On page 27 of the application, the applicant states that the partners will fund the entity with \$2.55 in working capital to

March 26, 2014 2:50pm

cover the project start-up phase. Please clarify the amount that will be needed. In addition, please document same with a statement from an authorized representative who is empowered to obligate the members of the applicant LLC to the cash contributions that may be required (also applies to Section B, Economic Feasibility, Item 2).

The amount on page 27 was an error. A revised page 27 is attached as Attachment G. Letters regarding contributions from each member of WTI are attached as Attachment H.

7. Section B, Project Description, Item II.A.

The response indicates new construction of 6,986 square feet in lieu of the 8,258 square feet documented in the Square Footage (SF) chart on page 6 of the application. Please note that 8,258 SF is also the amount that would correspond to the \$2,353,530 estimated cost of new construction in the March 11, 2014 letter from the architect. Please clarify. 6,986 square feet of the new facility are the usable square feet; 8,258 square feet are the rentable square feet.

8. Section B, Project Description, Item II C. and Section C, Need, Item 1 (b)

As noted in the LOI and Project Description, the project involves the establishment of a new ODC and the initiation of MRI services. As such, please revise the response to Section B, II.C. to include a brief description of the need to provide MRI services. In addition, please add responses to Section C, Item 1(b) for the two additional certificate of need categories that apply to this project (specifically, these are criterion for both ODCs and MRI services). The criterion and standards are available on the HSDA link to www.tn.gov.

The need for the proposed MRI is established on the basis of the historical utilization of the existing MRI that will be discontinued as a result of this project. In addition, the projected utilization for the MRI requested in this application exceeds the minimum thresholds set forth in the State Health Plan

Responses for Section C, Item 1(b) are attached as Attachment I.

9. Section B, Project Description, Item 1I.D.

It appears that the existing location of the ODC operated by the manager at 5130 Stage Street in Memphis has no room for expansion and operation of CT, Ultrasound, Fluoroscopy and XRAY imaging services. Please include a brief description of the need to expand services of the proposed ODC in these modalities.

Most outpatient diagnostic centers in Tennessee provide a full spectrum of outpatient imaging, and this is consistent with the expectations of referring physicians. Referring physicians have expressed support for an expanded array of services at the new facility. A full-service ODC will make it easier and more convenient for physicians to get all outpatient imaging procedures scheduled for their patients. The addition of other outpatient imaging modalities will also enhance operating efficiencies because of ability to cross-train staff on the different modalities.

March 26, 2014 2:50pm

10. Section B, Project Description, Item 1I.E. 1.b. and Item 1I.E. 2

Please include a list of the other medical imaging equipment related to CT, Ultrasound, Fluoroscopy and XRAY services to be operated at the proposed ODC inclusive of expected cost of acquisition by purchase or lease (please specify).

A list of the other imaging equipment with the purchase price, taxes, and service is attached as Attachment J. The purchase price includes installation.

The applicant notes that it will purchase a GE Optima wide bore 1.5 Tesla MRI unit totaling to approximately \$2.2 million, including the \$1.5 million cost of the unit documented in the vendor quote in attachment B.II.E.2. Please revise the April 30, 2014 expiration date of the quote such that the quote will be effective on the date of the hearing of the application at the earliest in June 2014.

A revised quotation is attached as Attachment K. The revised quotation expires June 20, 2014. The manufacturer will only provide quotations for a period of 90 days. The applicant will provide an updated quotation, with an expiration date that is later than the HSDA meeting at which the application will be heard, closer to the meeting date.

In addition, please also identify the individual amounts projected for installation, maintenance/service, and taxes. In your response, please address whether or not the applicant LLC may be responsible in full or part for any additional equipment taxes, such as a 2.3% tax medical equipment excise tax authorized in Section 4191 of the Internal Revenue Code effective December 31, 2012 as related to passage of the Affordable Care Act.

The medical equipment excise tax is paid by the manufacturer of the equipment; therefore, WTI is not responsible for the tax.

11. Section B, Project Description Item III.B.

According to the plot plan, the parking appears accessible to patients. However, please clarify if the parking is an improvement from the manager's existing ODC located at 5130 Stage Road in Memphis, TN.

Parking at the proposed location will be an improvement from the existing location. The existing location has room for current patients but no room for expansion. If existing equipment needed repairing or upgrading, OiA would have to bring in a mobile unit, which would take up the entire parking lot; therefore, the existing equipment could not be upgraded without shutting down operations for 90 days.

12. Section C, Need, Item 1.a. (Construction, Renovation, Expansion, and Replacement of Health Care Institutions) Item 3.a

Please clarify by providing a copy of a fully executed option to lease between the applicant LLC and the building owner/landlord for the 8,250 space planned for the proposed ODC, inclusive of the general terms of the build-out allowance available for same.

The executed lease is attached as Attachment D.

March 26, 2014 2:50pm

13. Section C, Need, Item 1 (Specific Criteria, Magnetic Resonance Imaging (1.)(a.))

As noted, please include a response to the criteria and standards for MRI and ODCs.

Responses to the criteria and standards for MRI and ODCs are attached as Attachment I.

14. Section C. (Need) Item 3.

Please provide a map of the entire state of Tennessee that more clearly identifies the applicant's declared service area counties, including those counties that comprise the secondary service area of the proposed ODC. Please provide distinctive highlighting/markings to readily differentiate the two primary service area counties from the other, secondary service area counties.

A revised service area map is attached as Attachment L, including the secondary service area of Fayette County.

15. Section C. (Need) Item 4 (Socio-Demographic Information of the Service Area)

Your response to this item is noted. Using population data from the Department of Health website, Division of Health Statistics, Certificate of Need enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please revise the table to identify data for each county in your proposed service area for the current period calendar year 2014 to 2018.

Demographic Variable/	Shelby	Tipton	Service Area Total	State of TN Total
Geographic Area				
Total Population 2014 Current Year Age 65+	108,570	8,042	116,612	981,984
Total Population 2018, Projected Year Age 65+	124,946	9,367	134,313	1,102,413
Age 65+ % Change	15.1%	16.5%	15.2%	3.7%
Age 65+ % Total	11.5%	12.6%	11.6%	3.7%
2014 Total Population	943,812	63,865	1,007,677	6,588,698
2018 Total Population	954,012	67,545	1,021,557	6,833,509
Total Population % Change	1.1%	5.8%	1.4%	3.7%
TennCare Enrollees	277,622	11,538	289,160	1,194,860
TennCare Enrollees as % of Total Population	29.4%	18.1%	28.7%	18.1%
Median Age	37.2	34.6		33

March 26, 2014 2:50pm

Median Household	46,251	51,847	or and the second week	44,140
Income				,
Population %	20.2%	14%		17.3%
Below Poverty				
Level	.9			

^{*}Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for the discontinuance of OB services would mainly affect Females Age 15-44; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. For projects not having a specific target population use the Age 65+ population for the target population variable.

16. Section C. (Need) Item 5.

The table on pages 15-16 of the application ("Utilization of MRIs in the Service Area, 2010-2012") is noted. It appears that the utilization for the one (1) MRI unit at the Campbell Clinic-Unionville is missing (2,155 procedures in 2012). In addition, the units that are shared should be noted in the table. An example would be to identify the 1 unit housed at Baptist Rehab-Briarcrest as being shared with the MSK Group-Briarcrest. Please also add a column to identify the percentage change of the MRI utilization for each entity in the table from 2010 – 2012. As a suggestion, contact Alecia Craighead, Stat III, HSDA at 615-253-2782 to discuss revision of the table in the manner requested. A revised table is attached as Attachment M.

17. Section C, Need, Item 6

The utilization of the current MRI unit of the Outpatient Diagnostic Center of Memphis and the MRI unit to be located at the applicant LLC proposed ODC at 7600 Wolf River Boulevard in Memphis is noted. Please expand by identifying the breakout by primary modality or CPT code for the projected MRI utilization in years one and two of the project (note: the MRI modalities shown on page 27 of the application may suffice for this response, as appropriate). Please also compare to the utilization of the MRI unit located at the Outpatient Diagnostic Center of Memphis. In your response, please discuss the rationale for any significant change by procedure type, such as those that may result from new sources of referrals from physicians in the service area.

CPT Code	Year 1	Year 2
72148	804	818
73721	559	569
73221	437	445
72141	397	404
70551	137	140
Arthrograms	756	781

The MRI at the new facility is expected to serve patients with the same conditions as the existing unit, with the exception that the new MRI will also perform athrograms, as explained the original application. The expected arthrogram utilization is because two the radiologists who will read scans at the facility have special expertise with regard to these procedures. The applicant projects providing 756 arthrograms in year 1 and 781 in year 2.

March 26, 2014 2:50pm

18. Section C. Economic Feasibility, Item 1 (Project Costs Chart)

As noted, please document the cost for both the medical equipment and the building lease by revising the medical equipment quote and by providing an option to lease for the 8,256 office space at the proposed Wolf River Boulevard ODC in Memphis. Please note that the agreements between the parties must be in effect on the date that the application will be heard by HSDA (June 2014 at earliest).

A revised MRI quotation is attached as Attachment K. The executed lease is attached as Attachment D.

The 2/16/14 letter from Key Equipment Finance documents the availability of a commercial loan not to exceed \$2,520,000 for the purchase of equipment and \$2,000,000 for leasehold improvements for a total of \$4,520,000.00. Given the proposed loan, please explain why no amount is provided for the cost of financing and fees in your Project Cost Chart.

Loan fees and total interest over the course of the loan were inadvertently left off of the Project Cost Chart; however, the amount was included in the Total Project Cost. A revised Project Cost Chart is attached as Attachment N.

Per the March 11, 2014 letter from the architect, please note that the Department of Health has adopted the updated 2010 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in their review. Will build-out of the proposed ODC conform with same? Please clarify.

The build-out of the proposed ODC will conform with the 2010 AIA Guidelines.

19. Section C. Economic Feasibility, Item 2

As noted in the preceding question, the source of funding from a commercial loan not to exceed \$4,520,000.00 has been appropriately documented in the attachments to the application. However, with a total project cost identified at \$10,123,989.00 and the applicant's statements in the application, it appears that Item F. should also be indicated based upon the applicant's statements that additional funding support is available from the partners/owners (see pages 6 and 27).

Please also provide an estimate of the total funding amount that may be required to financially support the proposed project. In your response, please identify the cash contributions or working capital that may apply, inclusive of obligations for repayment, reimbursement, etc. In addition, please also provide written documentation of same from an authorized principal or representative of the applicant LLC, as appropriate.

A revised page 20 is attached as Attachment O. Letters from the members of WTI regarding contributions to the project are attached as Attachment H. Please see the response to question 6 for a further explanation of the project funding.

20. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

As noted in response to Section C, Economic Feasibility, Item 9 on page 28, the applicant states that the proposed facility does not have an audited financial statement for 2013 and that the information provided in the Historical Data Chart pertains to the three ODCs that Outpatient Imaging Associates operates in Tennessee. It is unclear how the applicant LLC would have any audited financial statements for 2013 since the applicant LLC has

March 26, 2014 2:50pm

been created as the organizational entity of the proposed Wolf River Boulevard ODC in Memphis. Please clarify.

The applicant, WTI, does not have any audited financial statements because it is a new entity. The information in the Historical Data Chart is for the OiA facility in Memphis.

In reviewing the 2013 financial statements of OIA provided in the attachment, it appears that the amounts for most of the key categories do not correspond to the amounts in the Historical Data Chart such as net operating revenue, operating expenses, and retirement of principal and interest expense. Please clarify.

The 2013 financial statements are for all three of OiA's Tennessee facilities (Knoxville, Nashville, and Memphis). The information in the historical data chart is only for the Memphis facility.

Please describe the changes implemented to improve financial performance (net operating income less capital expenditures) between 2012 - 2013.

The improved financial results in 2013 were primarily due to (1) increased MRI volumes and (2) reduction of fees to affiliates resulting from a reallocation of expenses between facilities under common ownership.

Why are the amounts for billing fees identical to the amounts for management fees? Both fees are based on the same percentage of revenue (5%), so they are the same dollar amount.

How many patients and MRI procedures accounted for the \$101,833 of charity care in 2013?

83 patients accounted for the MRI charity care in 2013.

How many MRI procedures of the Stage Road ODC were interpreted by radiologists in 2013 that corresponds to the \$179,181 of Professional Fees paid during the period? All MRI procedures done in 2013 at the Stage Road facility were interpreted by radiologists. 2,564 MRIs were done at the existing facility in 2013.

21. Section C. (Economic Feasibility) Question 4 (Projected Data Chart)

In both charts (full ODC and MRI), Net Operating Income less capital expenditures of the applicant ODC is unfavorable in the first two years of the project. Please discuss what options the applicant has considered to improve the projected financial performance and reach a favorable operating margin. As a suggestion, the applicant should address what provisions have been considered for increasing the projected MRI and other imaging service utilization in years one and two in order to reach and exceed financial breakeven, and what consideration has been provided for reducing operating expenses such as the management fees, billing fees and other expenses in years one and two.

The applicant's members will contribute initial capital of \$1.4 million. As explained in response to question 6, the capital required to get the facility open and sustain it until positive cash flow is achieved is approximately \$891,000 (\$471, 000 for initial expenses and \$420,000 in working capital). Initial capitalization should be more than sufficient to address unexpected expenses and to sustain the facility until it is profitable.

How many patients and imaging procedures account for the \$271,256 and \$282,732 amounts projected for charity care of the full project in the first and second years of the

March 26, 2014 2:50pm

project (please provide for each service type of the ODC - MRI, CT, Ultrasound and Fluoroscopy).

The following table is an estimate of the number of charity care patients per modality in Years 1 and 2 of the project.

Modality	Year 1	Year 2
MRI	85	87
CT	47	48
Ultrasound	144	148
X-Ray	68	69
Flouroscopy	28	29
Arthrogram	23	24
Total	395	404

Please identify the equipment that is being depreciated at the rate of \$789,668 per year in the chart.

The depreciation total includes both equipment and leasehold improvements. The equipment subject to depreciation includes all equipment in the facility, depreciated at \$494,739 per year for 5 years. Leasehold improvements will be depreciated at \$294,929 per year for 7 years.

The applicant has documented that a new 1.5 Tesla MRI unit will be purchased, installed and operated in the proposed ODC. However, equipment leases are identified in the full and MRI-Only Projected Data Charts for Year Two of the project (\$182,500 and \$100,000, respectively). Please clarify by identifying the equipment that will be leased by the applicant. In your response, please show the amounts by type equipment that may apply.

The line item in the "Other Expenses" chart should have said "Equipment Service" rather than "Equipment Lease and Service" because the only expense is the service fee. There is no service expense for Year 1 because the equipment is under warranty for Year 1.

22. Section C. (Economic Feasibility) Item 5 and Item 6.B

Please note the updated HSDA chart for MRI and CT Gross Charges per Procedure/Treatment by quartiles for years 2010 through 2012 in the following table and compare to the gross charges of MRI and CT services of the proposed ODC:

Equipment Type	Proposed Charge	HSDA Median Charge - 2012
CT Scanner	\$1,110	\$1,735.22
MRI Scanner	\$1,346	\$2,106.03

23. Section C, Economic Feasibility, Item 10

The alternatives are noted. Please describe what is meant by the proposed ODC at 7600 Wolf River Boulevard in Memphis being more centrally located to the patient base by including an estimate of distance in miles and driving time as evidence of same.

March 26, 2014 2:50pm

To consider actual travel distance for comparison, a month of data, December 2013, was used for analysis of actual driving distance for Shelby County residents to each of the two locations. Shelby County accounts for the majority of patients and 104 patients from Shelby County were seen at the center on Stage Road in that month. The average driving distance for those patients was 11.64 miles. If those patients had travelled to the proposed location on Wolf River Blvd, the average distance would have been 11.82 miles, approximately the same distance. However, the growth in patient volumes between 2013 and 2012 was mainly from patients who are closer to the Wolf River Blvd. location. The advantages of the new site are confirmed by the letters of support.

Based on Baptist Memorial HealthCare's (BMH) participation in the proposed ODC, was any consideration given to sharing MRI services through a shared space arrangement with any of the BMH imaging sites located in Shelby County? In your response, please include the distances & driving times of same to the location of the proposed ODC. The concept of sharing an MRI currently operated by Baptist Memorial in Memphis is not practical or feasible for several reasons. The Baptist Memorial organization has one shared MRI at Briarcrest, but it is heavily utilized and could not accommodate an additional sharing arrangement. The remaining Baptist Memorial facilities are hospitalbased and sharing with another entity would present difficult if not insurmountable structural and legal issues. In addition, none of the Baptist Memorial MRIs has the capacity to absorb the utilization of the proposed facility, with the possible exception of the MRI that was recently initiated at Baptist Memorial Hospital for Women. The MRI at the Women's hospital is intended to serve primarily pediatric patient and women, and making it available to serve the patients who will be served at the proposed facility would undermine the purpose of the MRI the Women's hospital, as well as encountering the obstacles associated with a hospital-based MRI. Moreover, the closing of the MRI on Stage Road contributes to the cost-effectiveness of the project.

The following chart lists the distances and drive times to the various BMH MRIs in Shelby County.

Distance from Wolf River Blvd proposed location Units:	to BMH MRI
Baptist Memphis 6019 Walnut Grove Road	3.4 miles
Baptist Collierville 1500 West Poplar Ave	8.3 miles
Baptist Womens 6225 Humphreys Blvd	2.9 miles
Baptist Rehabilitation -2100 Exeter Road	2.5 miles
Baptist Rehabilitation 6286 Briarcrest (Shared)	3.5 miles

Did the applicant consider simply relocating the existing ODC, Outpatient Diagnostic Center of Memphis in lieu of forming a new applicant LLC resulting in a change of ownership? Please discuss.

OiA could have relocated the facility then added the joint venture partners, but the three members of West Tennessee Imaging, LLC, felt that it was more transparent to apply as the new entity.

24. Section C, Contribution to Orderly Development, Item 3.

103

Jeff Grimm March 26, 2014 Page 12

March 26, 2014 2:50pm

The staffing estimate of employees providing patient care at the proposed ODC is approximately four (4) full time equivalents at an annual total base salary of \$180,000. Adding benefits @ 35%, the total annual amount is approximately \$243,000. When compared to an average projected salary and wage expense of approximately \$545,000 per year in the first two years of the project, does the staffing estimate account for all patient care staff involved in the project? Please clarify.

The staffing estimate accounts for all clinical staff. The total salary and wage expense of

\$545,000 includes non-clinical staff, such as administrative and clerical staff.

25. Registration of Medical Equipment with HSDA

It appears that HSDA records indicate that the manager of the proposed LLC has registered a CT scanner located at its ODC on 5130 Stage Road in Memphis. However, no utilization has been reported. Since there is no reference to the CT scanner in the application (including reference in the Square Footage Chart on page 8), please clarify. If a CT scanner is in operation at the manager's current ODC, please report the utilization of this equipment to Alecia Craighead, Statistical Analyst III, HSDA as soon as possible on or before submission of your responses to this supplemental questionnaire. Please note the following:

According to 68-11-1607(i), "The owners of the following types of equipment shall register such equipment with the health services and development agency: computerized axial tomographers, lithotripters, magnetic resonance imagers, linear accelerators and position emission tomography. The registration shall be in a manner and on forms prescribed by the agency and shall include ownership, location, and the expected useful life of such equipment. The first registration of all such equipment shall be on or before September 30, 2002. Thereafter, registration shall occur within ninety (90) days of acquisition of the equipment. All such equipment shall be filed on an annual inventory survey developed by the agency. The survey shall include, but not be limited to, the identification of the equipment and utilization data according to source of payment. The survey shall be filed no later than thirty (30) days following the end of each state fiscal year. The agency is authorized to impose a penalty not to exceed fifty dollars (\$50.00) for each day the survey is late."

OiA purchased the 5130 Stage Road facility in March 2011. There was not a CT scanner at that time, and there has not been a CT scanner since then. The applicant is unaware of why a CT scanner is registered with the State at that location.

Please do not hesitate to contact me with any further questions.

Sincerely,

Perry Baker by ME of persus son

ButlerSnow 20453020v1

WAR 26:14 P.2:45

SUPPLEMENTAL-#1

March 26, 2014 2:50pm

AFFIDAVIT

COUNTY OF Williamson

COUNTY OF Williamson
NAME OF FACILITY: WEST TENNESSEE IMAGING d/b/a OUTPATIENT DIAGNOSTIC CENTER OF MEMPHIS
I, <u>W Perus Bates</u> , after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.
Signature/Title
Sworn to and subscribed before me, a Notary Public, this the day of Morch, 2014, witness my hand at office in the County of Williamson, State of Tennessee.
NOTARY BUBLIC
My commission expires $4011 15$, 2017 .
HF-0043
HF-0043 Revised 7/02

March 26, 2014 2:50pm

Attachment B Letter from OiA

SUPPLEMENTAL-#1

March 26, 2014 2:50pm

OiA

OUTPATIENT IMAGING AFFILIATES, LLC

March 21, 2014

Ms. Melanie Hill Executive Director Tennessee Health Services and Development Agency 502 Deaderick Street, 9th Floor Nashville, TN 37243.

RE: License and right to provide MRI services at 5130 Stage Road in Memphis

Dear Ms. Hill,

This letter is to confirm that, upon approval of this project (Certificate of Need Application CN1401-008), Outpatient Imaging Affiliates, d/b/a Outpatient Diagnostic Center of Memphis ("OiA"), will relinquish the license for the facility located at 5130 Stage Road. Further, OiA will also relinquish its right to provide MRI services at that location.

Thank you for your consideration.

Sincerely,

J. Creighton Cook

Senior Director of Business Development

Outpatient Imaging Affiliates

2:50pm

Attachment C
OiA Biographical
Information

SUPPLEMENTAL-#1

Biographies of OiA's Management

March 26, 2014 2:50pm

Frank R. Kyle - Chief Executive Officer

Frank Kyle has twenty-two years of senior management experience in the radiology services sector. In 1992, Mr. Kyle founded National Imaging Affiliates (NIA), a company with a strategy of acquiring and managing freestanding and hospital-based imaging centers. In 1982, Mr. Kyle was part of a team that founded MedInc, a company that was one of the early pioneers in the development and management of full-service, freestanding outpatient diagnostic imaging development. Lastly, in September 2000, Mr. Kyle founded Outpatient Imaging Affiliates, LLC to joint venture, develop and manage outpatient diagnostic imaging and PET centers in partnership with local health care providers.

W. Cannon King - President

Cannon King joined OIA at its inception and was named President in 2011 after eleven years of leading OIA's business development efforts. As EVP, Mr. King was responsible for OIA's acquisition activities and the successful nationwide deployment of OIA's partnership model which has resulted in imaging center partnerships with many nationally renowned healthcare providers. Mr. King has been instrumental in growing OIA from a startup company to one of the nation's most well regarded outpatient imaging companies. Mr. King has a wide range of healthcare experience from his past senior management roles with companies in practice management, facilities development and managed healthcare.

Mr. King completed his undergraduate work at the University of Alabama where he received his B.S. in business while majoring in corporate finance and investment management. He received his M.B.A. from Vanderbilt University's Owen School of Management where he was inducted into the international honor society for business schools.

Perry Baker, CPA - Chief Financial Officer

Perry Baker joined OIA in May 2003. Prior to OIA, Mr. Baker was Director of Acquisitions and Development for Symbion Healthcare, Inc., a Nashville, TN-based outpatient surgery center company. Mr. Baker started his career in business development for PhyCor, Inc., and has assisted various start-up healthcare companies to secure funding, establish budgets, and grow through acquisitions. Mr. Baker obtained his BA in Economics from Vanderbilt and his M.B.A. from Vanderbilt University's Owen Graduate School of Management.

Shelly Troutman, EVP - Operations

Shelly Troutman was promoted to the corporate office at OiA in the fall of 2013 to assume the lead role in the management of all OiA centers. This move came after a very successful decade long run as the Administrator at OiA's largest and most successful joint venture, University of Virginia Imaging (Charlottesville). Shelly's impact was immediately felt as she distributed her demonstrated best practices across the entire OiA network of centers.

UPPLEMENTAL-#1

March 26, 2014 2:50pm

Listing of OiA owned or managed centers:

Centers Owned 100% by OIA

Premier Diagnostic Center 3920 North Union Blvd, Suite 130 Colorado Springs, CO 80907

Outpatient Diagnostic Center of Huntsville 115 St. Claire Avenue Hunstville, AL 35801

Outpatient Diagnostic Center of Madison 540 Hughes Road, Suite 5 Madison, Alabama 35758

Outpatient Diagnostic Center of Memphis 5130 Stage Road Memphis, TN 38134

Outpatient Diagnostic Center of Nashville 337 22nd Avenue North Nashville, TN 37203

Outpatient Diagnostic Center of Knoxville 601 Hall of Fame Drive Knoxville, TN 37915

Augusta Open MRI 3685 Wheeler Road Augusta, GA 30909

Nebraska Health Imaging 7819 Dodge Street Omaha, NE 68114

Lincoln Trail Diagnostics 1111 Woodland Drive Elizabethtown, KY 42701

Raleigh Radiology at Cedarhurst 1212 Cedarhurst Dr Raleigh, NC 27609

Raleigh Radiology at Clayton 300 Guy Rd, Suite 102 Clayton, NC 27520

Raleigh Radiology Wake Forest 839 Durham Hwy, Unit A Wake Forest, NC 27587

Management Contract Only

Ft. Jesse Imaging Center 2200 Ft. Jesse Rd Normal, IL 61761

OiA Joint Ventured Centers

Raleigh Radiology Brier Creek 8851 Ellstree Lane, Suite 100 Raleigh, NC 27617

Holmdel Imaging, LLC 100 commons Way Suite 110 Holmdel, NJ 07733

UVA Imaging 415 Ray C. Hunt Drive Charlottesville, VA 22903

> 545 Ray C. Hunt Drive Charlottesville, VA 22903

1015 Spring Creek Parkway Zion Crossroads, VA 22942

2965 Ivy Road (250 West) Charlottesville, VA 22901

Chesapeake Regional Imaging Centers 676A Kingsborough Square Chesapeake, VA 23320

> 171 Kempsville Rd Building C Norfolk, VA 23502

Jefferson Outpatient Imaging 850 Walnut Street Philadelphia, PA 19107

> 430 Park Plaza, Suite 100 Collegeville, PA 19426

1 West Germantwon Pike East Norriton, PA 19401

470 John Young Way Exton, PA 19341

Attachment D Executed Lease

2:50pm

Attachment F Letters of Support

9018726988

ASSOCIATES OF FAMILY

EMENTAL-#1 March 26, 2014 2:50pm

Associates of Family Practice, PLLC Dr. Daniel J. Scott III Robyn Vanderford, FNP 7889 Astoria Road Millington, Tenn., 38053 901-872-6963 901-872-6988 (Fax)

February 28, 2014

Attn: Tracy Dabaldo, Administrator Outpatient Diagnostic Center of Center 5130 Stage Road Memphis, Tenn., 38134

It has come to our provider's attention that your Diagnostic Center is Dear Tracy, planning to relocate to another facility in Germantown. Our providers feel that this move will be great for the center and to our patients to be able to provide more services to them.

If you have any further questions, please feel free to contact me.

Sincerely,

Brandy West, LPN, Clinical Supervisor

Associates of Family Practice

SUPPLEMENTAL-#1

March 26, 2014 AidSouth 2:50pm

MidSouth Pain Treatment Center LLC

Michael E, Steuer, M.D.

Steven T. Richey, M.D. www.midsouthpain.com

Kirk L. Kinard, D.O.,

President and Medical Director

122 Airways Place • Southaven, MS 38671 • Ph 662.349.9990 • Fax 662.349.2620
1365 W. Brierbrook Rd. • Germantown, TN 38138 • Ph 901.751.4112 • Fax 901.751.9878
101 Ricky D. Britt, Sr. Blvd., Ste 2 • Oxford, MS 38655 • Ph 662.236.5442 • Fax 662.236.5295
2016 Greystone Sq • Jackson, TN 38305 • Ph 731.664.1773 • Fax 731.664.1751

Date: February 27, 2014

Outpatient Diagnostic Center of Memphis

In the event that your facility moves to the Germantown area, we want to assure you that our practice and providers will continue to refer our patients to your valued facility

Sincerely,

Shondra Sain, Office Manager Midsouth Pain Treatment Center 146 Timber Creek Dr. Suite 200 Cordova, Tn. 38018

Attachment H Funding Letters



MID-SOUTH IMAGING & THERAPEUTICS, P.A.

6305 Humphreys Bivd., Suite 205 ■ Memphis, Tennessee 38120 (901) 747-1000 ■ FAX (901) 747-1001 ■ www.msit.com

BODY IMAGING Daniel J. Becker, M.D. John F. Burda, M.D. Andy Craven, M.D. Henry Dalsania, M.D. Scott D. Didler, M.D. Richard Duszak, Jr., M.D., F.A.C.R., F.S.I.R. Andy Elizey, M.D. George W. Galilmore, M.D, Derry D. Garner, M.D. Shannon M. Gulla, M.D. Randy J. Horras, M.D. Joe R. Krisle, M.D., F.A.C.R. Errol Lewis, M.D. James E. Machin, M.D. Alan J. McLeod, M.D. Robert J. Optican, M.D. Virginia S. Owen, M.D. Ranganathan Parthasarathy, M.D. Paul R. Tanner, M.D. Lloyd R. Thomas, Jr., M.D., F.A.C.R Allen K. Tonkin, M.D. Kelth A. Tonkin, M.D. Dexler H. Witte, M.D.

INTERVENTIONAL
NEURORADIOLOGY
Adam S. Arthur, M.D., M.P.H.
Lucas Eljovich, M.D.
Daniel Holt, M.D.
S. David Mortis, M.D.

MUSCULOSKELETAL IMAGING Andy Elizey, M.D. Dexter H. Witte, M.D.

NEURORADIOLOGY
James D. Acker, M.D.
Scott D. Didler, M.D.
Frank M. Eggers, II, M.D., F.A.C.R.
Alan D. Elsenberg, M.D.
S. David Morris, M.D.
T, Cralg Naueri, M.D.

NUCLEAR MEDICINE
John S. Buchignani, Jr., M.D., EA.C.R.
Andy Craven, M.D.
Craig L. Upman, M.D.
H. Lynn Magill, M.D., EA.C.R, EA.C.N.P.
Virginia S. Owen, M.D.
Ranganathan Parthasarathy, M.D.

PEDIATRIC RADIOLOGY H. Lynn Magill, M.D., F.A.C.R, F.A.C.N.R Webster W. Riggs, Jr., M.D., F.A.C.R.

VASCULAR INTERVENTIONAL Daniel J. Becker, M.D. John F. Burda, M.D. Henry Dalsania, M.D. Ramesh Parthasarathy, M.D. Phillip T. Zeni, Jr., M.D.

CHIEF EXECUTIVE OFFICER Brian Barbeito, M.B.A., M.S.H.A., FA.C.H.E

CHIEF FINANCIAL OFFICER Al Kenney, C.P.A.

Providing imaging & Therapeutic Services for the Baptist Memorial Health Care System March 21, 2014

Melanie Hill, Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill,

Mid-South Imaging & Therapeutics, P.A. intends to contribute at least \$83,333 to the new entity, West Tennessee Imaging, LLC. Mid-South Imaging & Therapeutics, P.A. has the financial resources to provide such a contribution.

Sincerely,

Brian M. Barbeito

Chief Executive Officer

SUPPLEMENTAL-#1

OiA

March 26, 2014 2:50pm

OUTPATIENT IMAGING AFFILIATES, LLC

March 21, 2014

Ms. Melanie Hill Executive Director Tennessee Health Services and Development Agency 502 Deaderick Street, 9th Floor Nashville, TN 37243.

RE: Contribution to project

Dear Ms. Hill,

Outpatient Imaging Affiliates ("OiA") will contribute the value associated with the existing facility at 5130 Stage Road to the new entity, West Tennessee Imaging.

Thank you for your consideration.

Sincerely,

J. Creighton Cook

Senior Director of Business Development

GH Cl

Outpatient Imaging Affiliates

March 26, 2014 2:50pm

BAPTIST MEMORIAL HEALTH CARE CORPORATION

March 21, 2014

Melanie Hill, Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243.

RE: West Tennessee Imaging, LLC Relocation of ODC

Dear Ms. Hill:

Baptist Memorial Medical Group is a member in West Tennessee Imaging, LLC.

This letter will confirm that Baptist Memorial Health Care Corporation, the sole member of Baptist Memorial Medical Group Inc. has adequate financial reserves and intends to contribute at least \$1,333,333 to the new entity, West Tennessee Imaging.

We are available for questions.

Sincerely,

Donald R. Pounds

Chief Financial Officer, BMHCC

Attachment I Standards & Criteria for MRI & ODCs

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

While this application technically seeks approval for a new ODC, it is effectively a relocation of an existing facility within the same service area. Projected volumes for each modality in the first four years of operation are set forth in the chart below. The need for the facility is established on the basis of the historical utilization at the existing location and the advantages of the new location, including the ability to add new imaging modalities.

	Y1	Y2	Y3	Y4
MRI	3,528	3,602	3,679	3,754
CT	1,537	1,562	1,588	1,613
US	4,637	4,788	4.939	5,090
X-Ray	2,218	2,268	2,318	2,369
Fluro	907	932	958	983

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

The existing facility on Stage Coach Road is too small to accommodate other modalities, and parking and patient access are less than ideal. The special circumstances that support this application are the advantages of the new location, the opportunity to replace and upgrade an existing MRI, and the patient convenience and physician convenience that will result from a full spectrum of imaging services being available at the facility.

- 3. Any special needs and circumstances:
 - a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The proposed new facility will result in an existing ODC relocating to a better, larger and more accessible location. In addition, the proposed facility will have sufficient space to accommodate a full spectrum of outpatient imaging.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

 The applicant is not aware of any other special needs and circumstances.
- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.
 - 1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

The applicant plans to have a transfer agreement with Baptist Memorial Hospital-Memphis, and, in the unlikely event of an emergency, the patient would be transported by ambulance to Baptist Memorial. A copy of the emergency procedures is attached as Attachment P.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

The facility will provide services only to those patients who have an order from a referring physician, so all procedures performed will be medically necessary as determined by the referring physician.

MRI Standards and Criteria

- 1. Utilization Standards for non-Specialty MRI Units.
 - a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The MRI proposed will not add capacity to the market, but will replace an existing unit. In any event, the projected utilization exceeds the minimum thresholds.

	Year 1	Year 2	Year 3	Year 4
MRI Volume	2,772	2,830	2,890	2,950

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Not applicable.

2. <u>Access to MRI Units.</u> All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should

provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Approximately 83% of the utilization for the existing facility is by patients who reside in Shelby and Tipton counties. Patient origin at the new facility is not expected to change materially.

3. <u>Economic Efficiencies.</u> All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Given the historical and projected utilization of the MRI, sharing with another provider is not feasible. The applicant is not aware of less costly MRI unit with the same specifications, including bore size and weight capacity of the unit.

Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Utilization of existing MRIs is provided in Attachment M. The proposal will not result in additional MRI capacity in the market.

5. Need Standards for Specialty MRI Units.

- a. <u>Dedicated fixed or mobile Breast MRI Unit</u>. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 - 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MM unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;

- 2. Its existing mammography equipment, breast ultrasound equipment, and MENTAL the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;
- 3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
- 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

Not applicable.

b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

Not applicable.

c. <u>Dedicated fixed or mobile Multi-position MRI Unit</u>. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

Not applicable.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MR1 Unit for which a

CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MR1 Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

- 7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
 - a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.
 - FDA approval attached as Attachment B.II.E.1.a.5 to the Application.
 - b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.
 - The MRI will be installed in space that meets all applicable licensing and manufacturer's standards.
 - c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.
 - The applicant intends to have a transfer agreement with Baptist Memorial Hospital Memphis, and in the unlikely event of an emergency, patients will be transferred by ambulance to Baptist Memorial.
 - d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.
 - The facility will perform MRI procedures on only those patients who have an order for an MRI from a referring physician, thus assuring that all procedures are medically necessary as determined by the patient's physician.
 - e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.
 - The existing ODC on Stage Road meets the ACR staffing standards and is ACR accredited, and the applicant will continue to meet the accreditation standards at the new facility.
 - f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.
 - See e. above.
 - g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant will have a transfer agreement with Baptist Memorial Hospital-Memphis. The applicant's medical director, Dr. Robert Optican, is an active member of the medical staff at Baptist Memorial. The transfer agreement and emergency protocols are attached as Attachment P.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant commits to submit data in a time fashion to the HSDA as described.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
 - a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
 - b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or
 - c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or
 - d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

The existing ODC on Stage Road is contracted with all TennCare plans that operate in the area, and the applicant will do likewise. In addition, the proposed MRI has a bore size and weight limit (500 lbs) that will accommodate obese patients, an increasingly large segment of the population that cannot be served by many of the existing MRIs in the community.

Attachment J List of Equipment (other than MRI)

SUPPLEMENTAL-#1

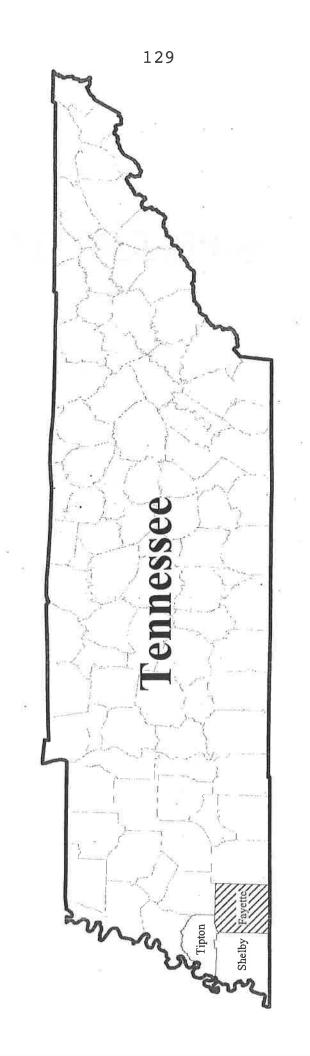
March 26, 2014 2:50pm

Equipment List

		Service (5 years)	Taxes
Equipment	Purchase Price	\$375,000	\$36,514.30
GE Lightspeed 16-slice CT	\$456,428.80	\$60,000	\$7,332.86
GE Logiq Ultrasound	\$91,660.80	\$25,000	\$19,389.55
GE D. stave V Pay/Flouro	\$242,369.40	\$25,000	

Attachment L Revised Service Area Map

Outpatient Diagnostic Center of Memphis



SUPPLEMENTAL #2





March 31, 2014

Mr. Jeff Grimm, HSD Examiner State of Tennessee Health Services and Development Agency Andrew Jackson Building 9th Floor 502 Deaderick Street Nashville, TN 37243

RE: Certificate of Need Application CN1401-008
West Tennessee Imaging, LLC

Dear Mr. Grimm:

Below are our responses the questions set forth in your letter dated March 27, 2014.

1. Section A, Applicant Profile, Item 4

Discussion of the proposed organizational and business relationships among the entities is noted in page 5 of the application. Given the 80% ownership by Baptist Medical Group (BMG) and 15% Outpatient Imaging Affiliates (OIA), please submit documentation from the Tennessee Secretary of State that acknowledges and verifies the type of ownership & active registration of these organizations. In addition, please document the financial interests of BMG, OIA and the their parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

Baptist Medical Group, Outpatient Imaging Affiliates, LLC ("OIA"), and its affiliate OIA of Memphis, LLC, are organized under Tennessee law. Confirmation of their status from the Tennessee Secretary of State's office is enclosed as Attachment A.

Baptist Medical Group does not own any healthcare facilities, but its sole member, Baptist Memorial Health Care Corporation, is the sole member of various health care facilities and has an ownership interest in other facilities, as shown in the list enclosed as part of Attachment B. For those Baptist facilities for which no percentage of ownership is indicated, Baptist is the sole member. Attachment B also includes a list of outpatient diagnostic centers owned by OIA, which are 100% owned except as indicated on the list.

2. Section B, Project Description, Item 1

As noted in the description and item 23 of your supplemental response, the proposed ODC of the applicant LLC is approximately ten (10) miles of the current ODC operated by the manager of the LLC (OIA) and is located approximately 2.5 miles to 8.3 miles from existing Baptist Memorial Healthcare Corporation (BMH) sites with MRI units. Please provide a road map identifying the two locations involved in this relocation. It

would also be helpful to have another map which identifies all the sites with MRI of the Baptist Memorial Hospital network.

The requested maps are enclosed as Attachment C.

The projected payor mix is noted. It appears that a classification of uninsured and/or self-pay may have been omitted based on the estimate of 395 imaging procedures to be provided to indigent patients in the first year of the project (item 21 of your 3/16/14 reply). Please clarify.

The application form does not appear to request payer mix information for the category of "uninsured/self-pay", so we assume this question is requesting inclusion of charity care in the chart on revised page 27. Enclosed as Attachment D is a second revised page 27 that includes charity care in the payer mix chart.

The clarification regarding the funding support (capital contributions) that will be needed from the partners to fund the estimated project start-up costs of approximately \$891,000 is noted. What considerations apply, if any, to the amount of funding that may be needed in order to secure provider participation agreements in Medicare, TennCare and other third party payor plans?

The existing facility on Stage Road is Medicare certified and has contracts with Medicare Advantage, TennCare and other third-party payer plans. In addition, the existing facility has a patient base that will transition to the new facility. The combination of these factors will minimize the payment lag that might otherwise be experienced by a new facility. In addition, OIA, as the manager of the facility intends to begin discussions with third-party payers at least 90 days in advance of the new facility being open. The applicant is confident that the funding needs of the facility have been fully addressed.

3. Section B, Project Description, Item II C. and Section C, Need, Item 1 (b)

The responses to Section C, Item 1(b) for the two additional certificate of need categories that apply to this project (ODC and MRI services) are noted. Please provide a CV or bio of the applicant's medical director, Dr. Robert Opticon that attests to his qualifications and active membership on the medical staff of the transfer agreement hospital - BMH-Memphis.

Enclosed as Attachment E is copy of Dr.Optican's CV and confirmation from BMH-Memphis of Dr. Optican's status on the medical staff.

4. Section B, Project Description, Item 1I.E. 1.b. and Item 1I.E. 2

The list of the other medical imaging equipment to be purchased for CT, Ultrasound, Fluoroscopy and XRAY services at a total combined amount of approximately \$1,313,705 is noted. Together with the estimated \$2,170,000 cost of the 1.5T GE MRI unit (inclusive of service agreement), the total amount for fixed equipment is approximately \$3,483,705 compared to \$3,324,702 in the revised Project Costs Chart (page 19-R). Please clarify.

Mr. Jeff Grimm March 28, 2014 Page 3

The total cost of the MRI, CT,ultrasound and x-ray/fluoroscopy equipment is \$3,483,695.72. The ultrasound unit (total cost of \$158,993.66) is classified as movable equipment and the cost of the ultrasound is included Project cost chart on line A.8.

Revision of the MRI unit quote from the vendor, changing the expiration date from April 30, 2014 to June 20, 2014 is noted. As acknowledged by the applicant, the quote must be revised again in order to be effective on the date of the hearing of the application (at the earliest this would be June 25, 2014).

5. Section C. (Need) Item 5

The table on pages 15-16 of the application ("Utilization of MRIs in the Service Area, 2010-2012") is noted. It appears that the utilization for the one (1) MRI unit at the Campbell Clinic-Unionville is missing (2,155 procedures in 2012). In addition, the units that are shared should be noted in the table. An example would be to identify the 1 unit housed at Baptist Rehab-Briarcrest as being shared with the MSK Group-Briarcrest. Please also add a column to identify the percentage change of the MRI utilization for each entity in the table from 2010 – 2012. As a suggestion, contact Alecia Craighead, Stat III, HSDA at 615-253-2782 to discuss revision of the table in the manner requested.

This table was included with the response dated March 26, 2014, as attachment M. It is included with this response as Attachment F.

6. Section C, Need, Item 6

In order to further help illustrate the comparison requested in question 17 of the 3/21/2014 HSDA supplemental questionnaire, please add columns to your table that shows the utilization of the MRI unit of the Outpatient Diagnostic Center of Memphis in CY2013 and CY2014 (estimated).

Tho	chart	ic	helow	with	tho	cal	nimne	added:
1111	cnuri	10 1	DELOW	VVLLIL	uruc	$\cup \cup \iota$	umu	uuueu.

CPT Code	2013	2014*	Year 1	Year 2
72148	744	774	804	818
73721	518	539	559	569
73221	405	422	437	445
72141	367	382	397	404
70551	128	133	137	140
Arthrograms**	¥	-	756	781

^{*}annualized

7. Section C. Economic Feasibility, Item 1 (Project Costs Chart)

Based on the verification of fixed equipment costs as requested above it # 4, additional revision of the form may be necessary. Please clarify.

See the response to question 4 above.

^{**}ODC of Memphis does not perform arthrograms.

SUPPLEMENTAL-#1

Mr. Jeff Grimm March 28, 2014 Page 4

March 31, 2014 11:45am

8. Section C. Economic Feasibility, Item 2

The response provided previously in Section B, Project description, Item 1, page 3 of your 3/26/14 supplemental reply is noted. In addition, the attestations confirming funding support by the three members of the applicant LLC are noted in attachment H of the response. Please confirm that said response pertaining to the \$871,000 amount of capital contributions also applies to this item of the application, by including the remarks in a revised page R-20 of the application.

Revised page 20 is enclosed as Attachment G, with additional explanation as requested.

What is the applicant's estimate of professional fees of the radiologists for CY2013 that were associated with procedures performed for patients enrolled in Medicare – fees that may not included in the \$179,181 of Professional Fees amount in the Historical Data Chart?

The number provided for professional fees in 2013, \$179,181, includes reimbursement to radiologists for all MRIs at the facility including Medicare. Of this total, approximately \$10,751 was attributable to Medicare patients.

9. Section C. (Economic Feasibility) Question 4 (Projected Data Chart)

Clarification of Other Expenses as to "Equipment Service" is noted. Please provide a revised page R-26 to be included with the application.

A revised version of page 26 is included as Attachment H.

Please do not hesitate to contact me with any further questions.

Sincerely,

Verry Baker by M.

March 31, 2014 11:45am

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF Williamson
NAME OF FACILITY: WEST TENNESSEE Imaging d/b/g ODC OF MEMOHIS I, Peren Rater, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true,
accurate, and complete.
Signature/Title
Sworn to and subscribed before me, a Notary Public, this the <u>88 day of March 2014</u> , witness my hand at office in the County of <u>Williamson</u> , State of Tennessee.
My commission expires April 15 , 2017.
HF-0043
Revised 7/02

Attachment B BMHCC and OiA Ownership Information

Baptist Memorial Health Care Corporation is affiliated with the following hospitals:

Baptist Memorial Hospital, Inc.

d\b\a Baptist Memorial Hospital-Memphis 6019 Walnut Grove Road Memphis, TN 38120

d\b\a Baptist Memorial Hospital for Women 6225 Humphreys Boulevard Memphis, TN 38120

d\b\a Baptist Memorial Hospital-Collierville 1500 West Poplar Avenue Collierville, TN 38017

Baptist Memorial Hospital-North Mississippi Inc. 2301 South Lamar Oxford, MS 38655

Baptist Memorial Hospital-Booneville, Inc. 100 Hospital Street Booneville, MS 38829

<u>Baptist Memorial Hospital-DeSoto,Inc.</u> 7601 Southcrest Parkway Southaven, MS 38671

Baptist Memorial Regional Rehabilitation Services, Inc.

d\b\a Baptist Memorial Restorative Care Hospital 6019 Walnut Grove Rd.
Memphis, TN 38120

d\b\a Baptist Rehabilitation-Germantown 2100 Exeter Rd. Germantown, TN 38138

Northeast Arkansas Baptist Memorial Health Care LLC

d\b\a NEA – Baptist Memorial Hospital 4800 E Johnson Ave Jonesboro, AR 72401

d\b\a The Surgical Hospital of Jonesboro 909 Enterprise Drive Jonesboro, AR 72401 Baptist Memorial Hospital-Golden Triangle, Inc.

2520 Fifth Street North Columbus, MS 72370

Baptist Memorial Hospital-Tipton,Inc.

1995 Highway 51 South Covington, TN 38019

Baptist Memorial Hospital-Union City,Inc.

1201 Bishop Street Union City, TN 38261

Baptist Memorial Hospital-Union County,Inc

200 Highway 30 West New Albany, MS 38652

Baptist Memorial Hospital-Huntingdon, Inc.

631 R.B. Wilson Drive Huntingdon, TN 38344

SUPPLEMENTAL-#1

March 31, 2014 11:45am

Baptist Memorial Health Care Corporation is affiliated with the following Home Health Agencies:

Baptist Memorial Home Care and Hospice
126 Highway 51 N
Batesville, MS 38606

Baptist Home Care & Hospice - Covington 1618 Highway 51 South Unit C Covington, TN 38019

Baptist Memorial Home Care 631 R.B. Wilson Drive Huntingdon, TN 38344-1727

Baptist Home Care Trinity 6141 Walnut Grove Rd Memphis, TN 38120

<u>Baptist Trinity Home Care - Private Pay Division</u> 6141 Walnut Grove Rd Memphis, TN 38120

OTHER

Walnut Grove Plaza Pharmacy 6025 Walnut Grove Rd Memphis, TN 38120

Baptist Memorial Hospital -Memphis Skilled Nursing Facility 6019 Walnut Grove Road Memphis, TN 38120

SUPPLEMENTAL-#1

March 31, 2014 11:45am

Baptist Memorial Health Care Corporation is affiliated with the following surgery centers:

Baptist Germantown Surgery Center

Baptist is 58.475% owner

2100 Exeter Rd, Ste 101 Germantown, TN 38138

East Memphis Surgery Center 80 Humphreys Center Drive #101 Memphis, TN 38120

Baptist is 60% owner

Hamilton Eye Institute Surgery Center, L.P.

Baptist is 33.3% owner

930 Madison Ave, Suite 101 Memphis, TN 38163

Mays & Schnapp Pain Clinic and Rehabilitation Center

Baptist is 50% owner

55 Humphreys Center Drive #200

Memphis, TN 38120

Memphis Surgery Center

Baptist is 49% owner

1044 Cresthaven Memphis, TN 38119

<u>Urocenter</u>

Baptist is 50% owner

80 Humphreys Ste 310 Memphis, TN 38120

Union City Surgery Center 1722 E. Reelfoot Ave, Ste 1 Baptist is 50% owner

Union City, TN 38261

Oxford Surgery Center

Baptist is 60% owner

499 Azalea Drive Oxford, MS 38655 Phone: (662) 234-7979

Baptist Desoto Surgery Center

Baptist is 75% owner

391 Southcrest Circle Suite 1000 Southaven, MS 38671

Phone: (662) 349-0910

March 31, 2014 11:45am

Baptist Memorial Health Care Corporation is affiliated with the following Hospice:

<u>Baptist Memorial Hospice-Columbus</u> 2520 5th Street North Columbus, MS 39701

Baptist Memorial Home Care and Hospice 126 Highway 51 N Batesville, MS 38606

Baptist Memorial Home Care & Hospice 631 R.B. Wilson Drive Huntingdon, TN 38344-1727

Baptist Home Care & Hospice 1201 Bishop Street Union City, TN 38261

Baptist Home Care & Hospice - Covington 1618 Highway 51 South Unit C Covington, TN 38019

Baptist Trinity Hospice 6141 Walnut Grove Rd Memphis, TN 38120

HOME MEDICAL EQUIPMENT

Baptist Home Medical Equipment 1600 Century Center Parkway Suite 101 Memphis, TN 38134-8849

Baptist Home Medical Equipment 2627 5th St N Columbus, MS 39705

Baptist Home Medical Equipment 2003 Harris Dr Oxford, MS 38655

Medical Alternatives 4565 Shelby Rd Millington, TN 38053 Baptist is 80% owner

Listing of OiA owned or managed centers:

SUPPLEMENTAL-#1

March 31, 2014 11:45am

Centers Owned 100% by OIA

Premier Diagnostic Center 3920 North Union Blvd, Suite 130 Colorado Springs, CO 80907

Outpatient Diagnostic Center of Huntsville 115 St. Claire Avenue Hunstville, AL 35801

Outpatient Diagnostic Center of Madison 540 Hughes Road, Suite 5 Madison, Alabama 35758

Outpatient Diagnostic Center of Memphis 5130 Stage Road Memphis, TN 38134

Outpatient Diagnostic Center of Nashville 337 22nd Avenue North Nashville, TN 37203

Outpatient Diagnostic Center of Knoxville 601 Hall of Fame Drive Knoxville, TN 37915

Augusta Open MRI 3685 Wheeler Road Augusta, GA 30909

Nebraska Health Imaging 7819 Dodge Street Omaha, NE 68114

Lincoln Trail Diagnostics 1111 Woodland Drive Elizabethtown, KY 42701

Raleigh Radiology at Cedarhurst 1212 Cedarhurst Dr Raleigh, NC 27609

Raleigh Radiology at Clayton 300 Guy Rd, Suite 102 Clayton, NC 27520

Raleigh Radiology Wake Forest 839 Durham Hwy, Unit A Wake Forest, NC 27587

No Ownership - Contract Management Only

Ft. Jesse Imaging Center 2200 Ft. Jesse Rd Normal, IL 61761

OiA Joint Ventured Centers

Raleigh Radiology Brier Creek OiA Ownership - 50% 8851 Ellstree Lane, Suite 100 Raleigh, NC 27617

Holmdel Imaging, LLC OiA Ownership - 33% 100 commons Way Suite 110 Holmdel, NJ 07733

Wake Forest Baptist
OiA Ownership - 25%
265 Executive Park Blvd
Winston Salem, NC 27103

UVA Imaging
OiA Ownership - 20%

415 Ray C. Hunt Drive Charlottesville, VA 22903

545 Ray C. Hunt Drive Charlottesville, VA 22903

1015 Spring Creek Parkway Zion Crossroads, VA 22942

2965 Ivy Road (250 West) Charlottesville, VA 22901

Chesapeake Regional Imaging Centers OiA Ownership - 50%

> 676A Kingsborough Square Chesapeake, VA 23320

171 Kempsville Rd Building C Norfolk, VA 23502

Jefferson Outpatient Imaging OiA Ownership - 20%

850 Walnut Street Philadelphia, PA 19107

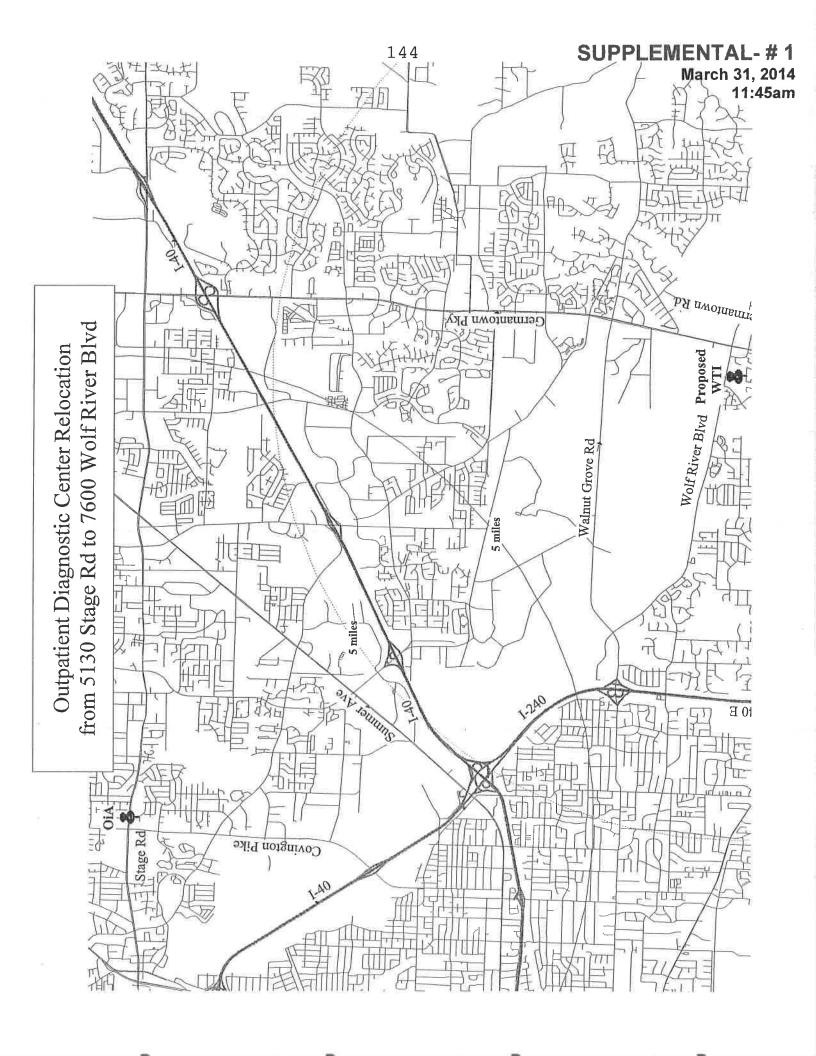
430 Park Plaza, Suite 100 Collegeville, PA 19426

1 West Germantwon Pike East Norriton, PA 19401

470 John Young Way Exton, PA 19341

March 31, 2014 11:45am

Attachment C Maps



Attachment E Dr. Optican's CV

ROBERT J. OPTICAN, M.D.

(901) 747-1000 (0)

DATE/PLACE OF BIRTH:

September 28, 1962 St. Joseph, Missouri

PRESENT TITLE:

7/1/94-Present Director of Thoracic Imaging

Metro Memphis Baptist Memorial Hospitals

Memphis, Tennessee

Vice-President

Mid South Imaging and Therapeutics, P.A.

OFFICE ADDRESS:

7/1/94-Present Mid-South Imaging & Therapeutics, P.A. 6305 Humphreys Blvd., Suite 205

Memphis, Tennessee 38120

EDUCATION:

1980-1984 Duke University

Durham, North Carolina

BA Chemistry, summa cum laude

1984-1988 Washington University School of Medicine

St. Louis, Missouri Doctor of Medicine

HONORS AND AWARDS:

1983	Elected to Phi Beta Kappa
1984	George F. Gill Prize in Anatomy
1984	Kehar S. Chouke Prize in Anatomy
1985	Edmund V. Cowdry Prize in Histology
1985	Antionette Frances Dames Prize in Physiology
	and Biophysics
1987	Elected to Alpha Omega Alpha

SUPPLEMENTAL-#1

March 31, 2014 11:45am

ROBERT J. OPTICAN, M.D. CURRICULUM VITAE PAGE 2

POST GRADUATE TRAINING:

1988-1989
Transitional Year Residency
St. John's Mercy Medical Center
St. Louis, Missouri

1989-1993
Diagnostic Radiology Residency
Duke University Medical Center
Durham, North Carolina

1993-1994
Cardiovascular Imaging Fellowship
Cleveland Clinic Foundation
Cleveland, Ohio

BOARD CERTIFICATION:

June 1993 Board Certified in Diagnostic Radiology
American Board of Radiology

LICENSURE:

Tennessee License #MD025706 - June 13, 1994 North Carolina #35243 - January 1992 Mississippi License #15240 - March 27, 1997 Arkansas License #E-1299 - June 6, 1997

PROFESSIONAL MEMBERSHIPS:

Society of Thoracic Radiology, Senior Member North American Society of Cardiac Imaging Radiological Society of North America American College of Radiology American Roentgen Ray Society

OTHER PROFESSIONAL ACTIVITIES:

Baptist Memorial Memphis Medical Staff Bylaws Committee.

PUBLICATIONS AND POSTERS:

Optican R, White K, Effman E. Goitrous Cretinism Manifesting as Newborn Stridor: CT Evaluation American Journal of Roentgenology. 157: 557-558, September 1991.

ROBERT J. OPTICAN, M.D. CURRICULUM VITAE PAGE 3

Optican R, Ost A, Ravin C. High Resolution Computed Tomography in the Diagnosis of Miliary Tuberculosis. Chest. 102: 941-943, 1992.

Cook S, Optican R, VanDyke C, et al. Radio-opaque Densities Identified on Routine Chest X-rays. RSNA 1993 poster exhibition, Certificate of Merit. Radiology. 189(1): 323, 1993.

VanDyke C, Davros W, Hardy P, Optican R, Zeman R, White R. Three-Dimensional Reconstruction of the Thoracic Great Vessels. RSNA 1993 poster exhibition. Radiology 189(1): 322-1993.

Adult Congential Heart Disease, and "Pulmonary and Cardiac Imaging,"
C. Chiles and C. Putman, EDS. New York: Marcel, Dekker, Inc., 1997.

Cardiac MRI: Case Presentation in "Essentials Of Cardia Imaging, Second Edition," J.T.T. Chen, Ed. Philadelphia: Lippincott-Raven, 1997.

White RD, et al, Right Ventricular Arrhythmia in the Absence of Arrhythmogenic Dysplasia: MR Imaging of Myocardial Abnormalities. Radiology, 207 (3): 743-751, June 1998.

Sacks, Harold S., Fain, John N., Holman, Ben, Cheema, Paramjeet, Chary, Aron, Parks, Frank, Karas, James, Optican, Robert, Bahouth, Suleiman W., Garrett, Edward, Wolf, Rodney Y., Carter, Russell A., Robbins, Todd, Wolford, David, and Samaha, Joseph. Uncoupling Protein-1 and Related Messenger Ribonucleic Acids in Human Epicardial and Other Adipose Tissues: Epicardial Fat Functioning as Brown Fat: Mol Endocrinol 2009 23:1519-1520

Duszak R, Optican R, et al.
Cardiac CT and Coronary CTA: Early Medicare Claims
Analysis of National and Regional Utilization and Coverage.
Journal of the American College of Radiology Volume 8,
Issue 8, Pages 549-555, August 2011

National Institutes of Health state of the science Conference statement: Enhancing use and quality of colorectal cancer screening. Steinwachs D, Allen JD, Barlow WE, Duncan RP, Egede LE, Friedman LS, Keating NL, Kim P, Lave JR, Laveist TA, Ness RD, Optican RJ, Virning BA. Ann Intern Med. 2010 May 18;152 (10): 663-7

Rev 10/2012



January 28, 2014

RE: Reappointment Timeframe February 01, 2014 - January 31, 2016

Robert J Optican, MD

We are pleased to inform you that your application for Reappointment, as recommended by the Credentials and Medical Executive Committees, was approved by the Board for the above-referenced period of time. Listed below are the privileges that you currently hold.

Radiology - Collierville Core Radiology (Contracted Service) Moderate Sedation Radiology - DeSoto Core Radiology (Contracted Service) Moderate Sedation Radiology - Memphis Core Radiology (Contracted Service) Moderate Sedation Radiology - Germantown Core Radiology (Contracted Service) Radiology - Womens Core Radiology (Contracted Service) Moderate Sedation

Thank you for your continued interest and participation in the hospital and medical staff. If I can be of any assistance to you, please feel free to contact me at 901/227-2453.

Sincerely,

Marilyn Mitchell, CPMSM, CPCS

1)Modelas

Manager, Metro Medical Staff Services

March 31, 2014

Attachment F MRI Utilization in Service Area

	UTILIZATIO	N OF MRI'S IN T			
	AREA				
	2010	2011	2012	#units	Percent Change
BMH Collierville	1,941	1,891	1,734	1	(10.66%)
BMH Memphis	11,517	12,052	11,913	3	3.44%
Baptist Rehab - Germantown	1,702	1,622	1,596	1	(6.23%)
Baptist Rehab - Briarcrest	370	585	650	1 – shared with MSK Group Briarcrest	75.68%
Campbell Clinic – Union	64	2,290	2,155	1	3,267.19%
Campbell Clinic	8,081	6,502	6,321	1	(21.78%)
Delta Medical Center	880	1,006	787	1	(10.57%)
Diagnostic Imaging-Memphis	4,540	6,358	6,538	1	44.01%
LeBonheur	3,856	4,663	5,357	3 (2 in 2010)	38.93%
Methodist Germantown	8,313	7,698	6,557	2	(21.12%)
Methodist South	3,536	4,073	4,139	1	17.05%
Methodist North	6,359	6,058	6,092	2	(4.2%)
Methodist University	9,136	9,677	9,803	3	7.30%
MSK Group - Covington Pike	3,420	3,096	3,140	1	(8.19%)
MSK Group - Briarcrest	4,043	4,508	4,489	I — shared with Baptist Rehab	11.03%
Neurology Clinic	3,370	3,168	3,160	I — shared with Wesley Neurology	(6.23%)
Outpatient Diagnostic Center	2,389	2,207	2,214	1	(7.33%)
Park Ave Diagnostic Center	3,857	3,080	2,681	2	(30.49%)
Regional Medical Center	3,733	3,927	4,491	1	20.31%
Semmes-Murphey	7,327	7,300	6,490	2	(11.42%)
St. Francis	6,159	5,482	5,393	3	(12.44%)
St. Francis Bartlett	3,030	3,257	3,642	2	20.20%
St. Jude	9,467	10,031	6,241	4	(34.08%)
Wesley Neurology	1,393	1,398	1,309	1 — shared with Neurology Clinic	(6.03%)
West Clinic	1,304	1,662	1,564	1	19.94%
BMH Tipton	1,213	1,143	1,265	1	4.29%



State of Tennessee Health Services and Development Agency Andrew Jackson Building, 9th Floor

Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to	be published in	The Commercial Appeal	which is a newspaper
of general circulation in	Shelby	(Name of Newspaper), Tennessee, on or before	
for one day.	(County)		(Month / day) (Year)
		vices and Development Agenc the Rules of the Health Servic	
West Tennessee Imaging d/l (Name of Applicant)	o/a to be determined	15	N/A (Facility Type-Existing)
owned by: West Tennessee Ir	naging, LLC	with an ownership type of	limited liability company
and to be managed by: Outpa	atient Imaging Affiliat	es, Inc. intends to file an applic	ation for a Certificate of Need
initiation of magnetic resonan acquisition of major medical e construction. The project, in c currently located at 5130 Stag for Outpatient Diagnostic Cen	ce imaging ("MRI") s equipment (MRI). The effect, will relocate a ge Road, Memphis, T tter of Memphis will t	olishment of an outpatient diservices at 7600 Wolf River Blace project will require approximate existing ODC, Outpatient Day 38134. Upon licensing of the be relinquished and MRI services is estimated to be \$10,123,98	vd., Memphis, TN 38138, and ately 8,258 square feet of new iagnostic Center of Memphis, e proposed facility, the license ces at that location will cease.
The anticipated date of filing to	ne application is:	March 14 , 20 14	
The contact person for this pro	oject is	Perry Baker (Contact Name)	CFO (Title)
who may be reached at: Our	tpatient Imaging Affili (Company Name	iates 840 Crescer	t Center Drive, Suite 200 (Address)
Franklin (City) (Signature)	TN (State)	37067 (Zip Code) -3/10/14 (Date)	
The Letter of Intent must be fill last day for filing is a Saturda this form at the following address	y, Sunday or State Ho ess: Health Services Andrew Jack 502 D	ceived between the first and the oliday, filing must occur on the and Development Agency (son Building, 9 th Floor Deaderick Street e, Tennessee 37243	e tenth day of the month. If the preceding business day. File
institution wishing to oppose a Cerl Agency no later than fifteen (15) day application is originally scheduled; ar Services and Development Agency a	ificate of Need application ys before the regularly so and (B) Any other person we at or prior to the consideration	statement pursuant to T.C.A. § 68- on must file a written notice with the cheduled Health Services and Develo vishing to oppose the application mus ation of the application by the Agency.	e Health Services and Development pment Agency meeting at which the t file written objection with the Health
HF51 (Revised 01/09/2013 - all forms pri	or to this date are obsolete)		

Error! Unknown document property name.

CERTIFICATE OF NEED REVIEWED BY THE DEPARTMENT OF HEALTH DIVISION OF POLICY, PLANNING AND ASSESSMENT

615-741-1954

DATE:

May 31, 2014

APPLICANT:

West Tennessee Imaging, LLC 7600 West River Boulevard Memphis, Tennessee 38138

CN1403-008

CONTACT PERSON:

Perry Baker, Chief Financial Officer 840 Crescent Centre Drive, Suite 200

Nashville, Tennessee 37067

COST:

\$10,123,989

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, West Tennessee Imaging, LLC, whose current owner is Outpatient Imaging Affiliates, Inc., located at 7600 Wolf River Road, Memphis, Tennessee 38138, seeks Certificate of Need (CON) approval for the establishment of an outpatient diagnostic center (ODC) and initiation of magnetic resonance imaging (MRI). The project will require approximately 8,258 square feet of new construction. This project will relocate an existing ODC, Outpatient Diagnostic Center of Memphis, currently located at 5130 Stage Road, Memphis, Tennessee 38134. Upon licensing the proposed facility, the license for Outpatient Diagnostic Center of Memphis will be relinquished and MRI services at that location will cease.

The proposed construction cost for the 8,258 square foot project is \$2,353,530, or \$285 a square foot. The published HSDA median cost for ODC renovation projects is \$122.51 and the 3rd quartile cost is \$196.46 per square foot.

In the process of evaluating potential locations for the relocation, Outpatient Imaging Affiliates (OiA) was approached by the radiology group Mid-South Imaging and Therapeutics, P.A., (MSIT) and Baptist Medical Group with the idea of partnering. MSIT and BMG have agreed to a conditional joint venture relationship which the new entity, West Tennessee Imaging, LLC, was created for the purpose of replacing and relocating the existing facility by obtaining a CON for the facility described in this application.

Ownership of West Tennessee Imaging, LLC is as follows: Baptist Medical Group-80%, Mid-South Imaging and Therapeutics, P.A.-5%, and Outpatient Imaging Affiliates-15%.

The estimated project cost is \$10,123,989 and will be funded by a commercial loan and a capital contribution by the ownership members. The commercial loan financing letter is provided in Attachment C. Economic Feasibility 2 located in Supplemental 1. Funding letters from each from each member owner are provided in Attachment H, Supplemental 2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area is Shelby and Tipton counties.

Service Area 2014 and 2018 Population Projections

County	2014 Population	2018 Population	% Increase/ (Decrease)	
Shelby	943,812	954,012	1.1%	
Tipton	63,865	67,545	5.8%	
Total	1,007,677	1,021,557	1.4%	

Source: Tennessee Population Projections 2010-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics

OiA is a national owner and operator of outpatient diagnostic imaging centers and the current owner of Outpatient Diagnostic Center of Memphis, has entered into a mutual understanding with BMG and MSIT to relocate its current ODC to 7600 Wolf River Blvd. Ownership of West Tennessee Imaging, LLC is as follows: Baptist Medical Group-80%, Mid-South Imaging and Therapeutics, P.A.-5%, and Outpatient Imaging Affiliates-15%.

BMG is the Mid-South's largest integrated not-for-profit multi-specialty physician practice with more than 500 primary and specialty care doctors representing 42 specialties. MSIT is a private radiology practice that has served Memphis for over 40 years. MSIT's physicians provide diagnostic and interventional radiology services to thousands of patients in the Memphis area through Baptist Memorial Health Care System and other providers in the Mid-South area. MSIT's physicians include a group of thirty-five radiologists that are board-certified and fellowship trained in 7 radiology subspecialty areas including body, vascular intervention, interventional neuroradiologist, mammography, neuroradiology, nuclear medicine, and pediatric radiology.

The existing ODC has a need to upgrade its current MRI equipment (1997 GE Signa Horizon 1.5) to better serve its patients. The applicant will upgrade to a GE Optima 1.5 Tesla wide bore unit which will allow them to better serve obese patients. Services at the new facility will included MRI, CT, x-ray, ultrasound, and fluoroscopy. Additionally, OiA seeks to relocate to a larger and more patient friendly location with ample parking. The proposed location is located at 7600 Wolf River Blvd., approximately 10 miles from the current location. Drive time for their patients will be about the same as it was in the old location.

The applicant based the need for the proposed MRI on the historical utilization of the existing MRI that will be discontinued. The applicant expects to continue seeing existing patients and expects some growth because the MRI at the new location will provide arthrograms. Two MSIT radiologists who will read scans at the new location have specific expertise in arthrograms and the applicant expects patients to be referred to the facility for these procedures.

In 2012, Outpatient Diagnostic Center of Memphis performed 2,214 MRI procedures. The projected MRI procedures for years one and two of the proposed project are 3,528 and 3,602, respectively.

In addition to MRI services, the applicant projects 1,537 CT, 4,637 ultrasound procedures, 2,218 x-ray , and 907 fluoroscopy procedures in year one. In year two, the applicant projects 1,562 CT, 4,788 ultrasound procedures, 2,268 x-ray, and 932 fluoroscopy procedures.

2012 MRI Equipment Utilization

Facility	County	Fixed Units	Procedures	Mobile Units	Procedures
Baptist Memorial- Collierville	Shelby	1	1734	0	
Baptist Memorial-Memphis	Shelby	3	11913	0	
Baptist Rehab-Germantown	Shelby	1	1596	0	
Baptist Rehab-Briarcrest**	Shelby	1(Shared)	650	0	
Campbell Clinic-Unionville	Shelby	1	2155	0	
Campbell Clinic, Inc.	Shelby	1	6321	0	
Delta Medical Center	Shelby	1	787	0	
Diagnostic Imaging-Memphis	Shelby	1	6538	0	
Bonheur Children's Hospital	Shelby	3	5357	0	
Methodist-Germantown	Shelby	2	6557	0	
Methodist South	Shelby	1	4139	0	
Methodist North	Shelby	2	6092	0	
Methodist University	Shelby	3	9803	0	
MSK Group Covington Pike	Shelby	1	3140	0	3
MSK Group Briarcrest**	Shelby	(Shared)	4489	0	
Neurology Clinic, PC**	Shelby	1 (Shared)	3160	0	
Outpatient Diagnostic Center	Shelby	1	2214	0	
Park Avenue Diagnostic Imaging	Shelby	2	2681	0	
Regional Medical Center of Memphis	Shelby	1	4491	0	
Semmes Murphey Clinic	Shelby	2	6490	0	
St. Francis Hospital	Shelby	3	5393	0	
St. Francis Hospital-Bartlett	Shelby	2	3642	0	
St. Jude's Children's Hospital	Shelby	4	6241	0	
Wesley Neurology Clinic, PC**	Shelby	(Shared)	1309	0	
West Clinic, PC	Shelby	1	1564	0	
Baptist Memorial-Tipton	Tipton	1	1265	0	
Subtotals		40	109,721	0	
Average Procedure Per Unit			2,743		

^{**} Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest, and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic. These units were not included to avoid duplication.

Source: HSDA Equipment Registry MRI Utilizations (As of 12/9/2013)

There are 40 MRI units in the service area with an average procedure per unit of 2,743 for 2012.

TENNCARE/MEDICARE ACCESS:

The applicant will participate in the Medicare and TennCare/Medicaid programs. The applicant currently contracts with United Healthcare Community Plan, BlueCare, and TennCare Select and will do so after the approval of this CON.

The applicant's projected year one TennCare/Medicaid gross revenues is \$361,674.72 or 4% of total gross revenues; Medicare gross revenues are projected to be \$542,512.08 or 6% of total gross revenues; and charity care is projected to be \$271,256 or 3% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 19 R of Supplemental 1. The total project cost is estimated to be \$10,123,989.

Historical Data Chart: The Historical Data Chart is located in page 21 of the application. The applicant reports 1,599, 2,147, and 2,564 MRI procedures in years 2011, 2012, and 2013 with net operating income of (\$51,480), \$17,375 and \$212,516 each year, respectively.

Projected Data Chart: The Projected Data Chart for MRI procedures is located on page 24 of the application. The applicant projects 3,528 MRI procedures in year one and 3,602 procedures in year two with net operating income of and \$1,651,816 and \$1,754,675 each year, respectively.

The Projected Data Chart for Full Project is located on page 23 of the application. In year one the applicant projects 12,853 total imaging procedures and 13,517 procedures in year two with net operating income of (\$769,020) and (\$792,264) each year, respectively.

The average gross charge in year one is estimated to be \$1,346, with an average deduction of \$825, resulting in an average net charge of \$521.

The applicant considered keeping the MRI at its current location but rejected this due to the following reasons: 1) the new location for the project is more centrally located to the applicant's patient base; 2) the project will round out the current imaging services with CT, ultrasound, x-ray, and fluoroscopy. The current location does not have enough space to add these modalities. 3) The existing location is not accessible for elderly and handicapped patients and does not have dedicated parking close to the building with a covered patient drop-off area.

In response to HSDA staff questions regarding travel distance comparisons, the applicant used analysis of a month of data from December 2013 for actual driving distance for Shelby County residents to both the current and proposed location. The analysis included 104 Shelby County patients seen in that month at the current location. The average driving distance for those patients was 11.64 miles. If those same patients had driven to the proposed location, the average distance would have been 11.82 miles.

The applicant was also asked about the concept of sharing an MRI currently operated by Baptist Memorial. This was not practical or feasible for the following reasons: Baptist Memorial has one shared MRI at Briarcrest but it is heavily utilized and could not accommodate an additional sharing arrangement. The remaining Baptist Memorial MRIs are hospital based and sharing with another entity would present a difficult if not insurmountable structural and legal issues. Additionally, none of the Baptist Memorial MRIs has the capacity to absorb the proposed utilization. Baptist Women's Hospital has an MRI that recently was initiated but it's primarily used for women and pediatric patients.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

West Tennessee Imaging, LLC will have a transfer agreement with Baptist Memorial Healthcare. The applicant provides a list of entities with which they will have contractual agreements in Attachment C. Orderly Development of Healthcare 1 of the application.

The applicant states this project will not have a negative effect on the utilization rates of existing providers because it does not add MRI capacity to the service area.

The proposed staffing for the ODC includes 1.33 FTE MRI technologists, 1.33 FTE ultrasound technologists, and 1.5 FTE x-ray/CT technologists.

Currently, the applicant does not participate in training programs but may in the future because of the involvement of BMG and MSIT.

The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and seek accreditation from the American College of Radiology. The current licensure survey for the existing facility occurred on 3/14/11 and no deficiencies were noted.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

The applicant's service area is Shelby and Tipton counties.

Service Area 2014 and 2018 Population Projections

County	2014 Population	2018 Population	% Increase/ (Decrease)
Shelby	943,812	954,012	1.1%
Tipton	63,865	67,545	5.8%
Total	1,007,677	1,021,557	1.4%

Source: Tennessee Population Projections 2010-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics

Projected utilization is provided in the following chart:

	Y1	Y2	Y3	Y4
MRI	3,528	3,602	3,679	3,754
CT	1,537	1,562	1,588	1,613
Ultrasound	4,637	4,788	4,939	5,090
X-ray	2,218	2,268	2,318	2,369
Fluoroscopy	907	932	958	983

The need for the facility is established on the historical utilization of the existing facility and the ability to add new modalities.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

The existing facility on Stage Road is too small to accommodate other modalities and the parking and patient access is not optimal. The new location will allow the replacement and upgrade of an existing MRI and enhanced patient and physician convenience from a full spectrum of imaging availability.

- 3. Any special needs and circumstances:
 - a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The proposed new facility will result in an existing ODC relocating to a better, larger, and more accessible location that will be able to provide an array of imaging services.

b. Other special needs and circumstances, which might be pertinent, must be analyzed.

The applicant is not aware of any special needs or circumstances.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.
 - 1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

The applicant will have a transfer agreement with Baptist Memorial Hospital.

The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states they will provide services only to those patients who have an order from a referring physician, so all procedures performed will be medically necessary as determined by that referring physician.

Magnetic Resonance Imaging Standards and Criteria

- 1. <u>Utilization Standards for non-Specialty MRI Units.</u>
 - a. An applicant proposing a new non-Specialty stationary MRI unit should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2800 procedures per year by the third year of service and for every year thereafter.

The applicant's project will not add capacity to the market but will replace an existing unit. The applicant meets the minimum thresholds.

	Y1	Y2	Y3	Y4
MRI	3,528	3,602	3,679	3,754
CT	1,537	1,562	1,588	1,613
Ultrasound	4,637	4,788	4,939	5,090
X-ray	2,218	2,268	2,318	2,369
Fluoroscopy	907	932	958	983

b. Providers proposing a new non-Specialty mobile MRI unit should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's geographical area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the service area's population. Applications that include non-Tennessee counties in their proposed service areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Approximately 83% of the applicant's utilization are patients who live in Shelby and Tipton counties, and it is anticipated this will remain the case.

Economic Efficiencies. All applicants for any proposed new MRI Unit should document that
alternate shared services and lower cost technology applications have been investigated
and found less advantageous in terms of accessibility, availability, continuity, cost, and
quality of care.

Due to the historical and projected utilization of the MRI, the applicant ruled out sharing with another provider. The applicant is not aware of a less costly MRI unit with the same capabilities.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelvementh period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 6 days per week \times 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

2012 MRI Equipment Utilization

Facility	County	Fixed Units	Procedures	Mobile Units	Procedures
Baptist Memorial- Collierville	Shelby	1	1734	0	
Baptist Memorial-Memphis	Shelby	3	11913	0	
Baptist Rehab-Germantown	Shelby	1	1596	0	
Baptist Rehab-Briarcrest**	Shelby	1(Shared)	650	0	
Campbell Clinic-Unionville	Shelby	1	2155	0	
Campbell Clinic, Inc.	Shelby	1	6321	0	
Delta Medical Center	Shelby	1	787	0	

Average Procedure Per Unit			2,743		
Subtotals		40	109,721	0	
Baptist Memorial-Tipton	Tipton	1	1265	0	
West Clinic, PC	Shelby	1	1564	0	
Wesley Neurology Clinic, PC**	Shelby	(Shared)	1309	0	
St. Jude's Children's Hospital	Shelby	4	6241	0	
St. Francis Hospital-Bartlett	Shelby	2	3642	0	
St. Francis Hospital	Shelby	3	5393	0	
Semmes Murphey Clinic	Shelby	2	6490	0	
Regional Medical Center of Memphis	Shelby	1	4491	0	
Park Avenue Diagnostic Imaging	Shelby	2	2681	0	
Outpatient Diagnostic Center	Shelby	1	2214	0	
Neurology Clinic, PC**	Shelby	1 (Shared)	3160	0	
MSK Group Briarcrest**	Shelby	(Shared)	4489	0	
MSK Group Covington Pike	Shelby	1	3140	0	
Methodist University	Shelby	3	9803	0	
Methodist North	Shelby	2	6092	0	
Methodist South	Shelby	1	4139	0	
Methodist-Germantown	Shelby	2	6557	0	
Bonheur Children's Hospital	Shelby.	3	5357	0	
Diagnostic Imaging-Memphis	Shelby	1	6538	0	

^{**} Baptist Rehab Briarcrest equipment is shared with MSK Group Briarcrest, and Neurology Clinic PC equipment is shared with Wesley Neurology Clinic. These units were not included to avoid duplication. Source: HSDA Equipment Registry MRI Utilizations (As of 12/9/2013)

5. Need Standards for Specialty MRI Units.

- a. <u>Dedicated fixed or mobile Breast MRI Unit</u>. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 - It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 - Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit is in compliance with the federal Mammography Quality Standards Act;
 - It is part of an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 - 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

Not applicable.

b. <u>Dedicated fixed or mobile Extremity MRI Unit</u>. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.

Not applicable.

c. <u>Dedicated fixed or mobile Multi-position MRI Unit</u>. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.

Not applicable.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Not applicable.

- Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
 - a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

FDA approval is attached as Attachment B.II.1>a.5 to the application.

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The MRI will be installed in space that meets all applicable licensing and manufacturers' standards.

 The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant intends to have an emergency agreement with Baptist Memorial Hospital.

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The facility will perform MRI procedures on only those patients who have an order for an MRI from a referring physician, thus assuring that all procedures are medically necessary as determined by the patient's physician.

e. An applicant proposing to acquire any MRI Unit, <u>including</u> Dedicated Breast and Extremity MRI Units, shall demonstrate that:

The existing ODC on Stage Road meets ACR staffing standards and is ACR accredited, and the applicant will continue to meet the standards at the new facility.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The existing ODC on Stage Road meets ACR staffing standards and is ACR accredited, and the applicant will continue to meet the standards at the new facility.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant will have a transfer agreement with Baptist Memorial Hospital-Memphis. The applicant's medical director is an active member of the medical staff at Baptist Memorial.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant will submit data to HSDA in a timely manner.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:
 - a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
 - b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or
 - c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

The applicant will participate in the Medicare and TennCare/Medicaid programs. The applicant currently contracts with United Healthcare Community Plan, BlueCare, and TennCare Select and will do so after the approval of this CON.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

The applicant responded to the appropriate criteria above.

- 2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The applicant considered keeping the MRI at its current location but rejected this due to the following reasons: 1) the new location for the project is more centrally located to the applicant's patient base; 2) the project will round out the current imaging services with CT, ultrasound, x-ray, and fluoroscopy. The current location does not have enough space to add these modalities. 3) The existing location is not accessible for elderly and handicapped patients and does not have dedicated parking close to the building with a covered patient drop-off area.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant performed 1,198, 2,214, and 2,564 MRI procedures in 2011, 2012, and 2013, respectively.

The applicant surveyed its largest referring physicians in order to position the center in an area most convenient to patients. The attached are 6 letters of support from physicians confirming the relocation to the application.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
 - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The above criteria do not apply.





April 25, 2014

Campbell Clinic Orthopaedics 1400 South Germantown Road Germantown, TN 38138

To Whom It May Concern:

Campbell Clinic physicians recently learned that Outpatient Diagnostic Center of Memphis is planning to relocate to the Wolf River Blvd. corridor in Germantown, Tennessee. We currently refer patients to the existing Outpatient Diagnostic Center of Memphis location, and the proposed relocation would greatly improve our patient's needs and convenience. Furthermore, it is our understanding that Mid-South Imaging & Therapeutics, P.A. will continue to staff Outpatient Diagnostic Center of Memphis in the new location and expand the current services to include adult, adolescent and pediatric arthrograms. Currently, our arthrogram patients are referred to facilities throughout the Memphis Metro area, just as the relocation will improve our patient's access for these procedures, it will also improve patient scheduling convenience, decrease our patients wait time, lower cost of care, and most importantly improve the quality of care for our patients.

Sincerely,

Frederick M. Azar, M.D.

Chief of Staff



April 25, 2014

Campbell Clinic Orthopaedics 1400 South Germantown Road Germantown, TN 38138

To Whom It May Concern:

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V ...

G. Andrew Murphy, M.D



April 25, 2014

Campbell Clinic Orthopaedics 1400 South Germantown Road Germantown, TN 38138

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Sincerely

Patrick C. Toy, M.D.



The second secon

William L. Bourland, M.D.

hand surgery

Randall L. Holcomb, M.D. sports medicine

sports medicine knee & shoulder surgery

W. Dean Jameson, M.D.

reconstructive surgery of the knee, foot & ankle

Timothy H. Krahn, M.D.

sports medicine knee & shoulder surgery knee reconstructive surgery

Michael D. Neel, M.D. musculoskeletal oncology

hip & knee reconstructive surgery

R. Jeffrey Cole, M.D.
adult & pediatric hand &

upper extremity surgery

Sam E. Murrell III, M.D.

cervical & lumbar spine surgery adult spinal reconstruction

Kenneth S. Weiss, M.D. sports medicine knee & shoulder surgery

David A. Deneka, M.D. sports medicine knee & shoulder surgery

Michael J. Heck, M.D. orthopaedic surgery

Jared J. Patterson, M.D. adult hip & knee reconstruction & arthritis surgery

Daniel T. Fletcher, Jr., M.D. adult & pediatric hand & upper extremity surgery

Thomas V. Giel III, M.D. sports medicine

sports medicine knee & shoulder surgery

Matthew B. Massey, M.D. foot & ankle surgery knee surgery & sports medicine

> David G. Brown, M.D. sports medicine knee & shoulder surgery

Michael J. Sorensen, M.D. physical medicine

physical medicine electrodiagnosis interventional spine care

David J. Dowling, M.D.

physical medicine
electrodiagnosis
interventional spine care

6286 briarcrest avenue memphis tn 38120 phone 901.259.1600 fax 901.259.1698 www.orthomemphis.com To Whom It May Concern:

May 12, 2014

The physicians of OrthoMemphis, a division of MSK Group, PC., recently learned that Outpatient Diagnostic Center of Memphis is planning to relocate to the Wolf River Boulevard corridor in Germantown, Tennessee. We currently refer patients to the existing Outpatient Diagnostic Center of Memphis location, and the proposed relocation would greatly improve our patient's needs and convenience. Furthermore, it is our understanding that Mid-South Imaging & Therapeutics, P.A., will continue to staff Outpatient Diagnostic Center of Memphis in the new location and expand the current services to include adult, adolescent and pediatric arthrograms. Currently, our arthrogram patients are referred to facilities throughout the Memphis Metro area, just as the relocation will improve our patient's access for these procedures, it will also improve patient scheduling convenience, decrease our patients wait time, lower cost of care, and most importantly improve the quality of care for our patients.

Please feel free to contact me at the below address or at (901) 259-1600, in the event I can provide additional information or answer any questions you might have.

Sincerely,

David G. Brown, M.D.



William L. Bourland, M.D. hand surgery

Randall L. Holcomb, M.D. sports medicine knee & shoulder surgery

W. Dean Jameson, M.D.

reconstructive surgery of the knee, foot & ankle

Timothy H. Krahn, M.D. sports medicine knee & shoulder surgery knee reconstructive surgery

Michael D. Neel, M.D. musculoskeletal oncology hip & knee reconstructive surgery

> R. Jeffrey Cole, M.D. adult & pediatric hand & upper extremity surgery

Sam E. Murrell III, M.D. cervical & lumbar spine surgery adult spinal reconstruction

Kenneth S. Weiss, M.D. sports medicine knee & shoulder surgery

David A. Deneka, M.D. sports medicine knee & shoulder surgery

Michael J. Heck, M.D. orthopaedic surgery

Jared J. Patterson, M.D. adult hip & knee reconstruction & arthritis surgery

Daniel T. Fletcher, Jr., M.D. adult & pediatric hand & upper extremity surgery

Thomas V. Giel III, M.D. sports medicine knee & shoulder surgery

Matthew B. Massey, M.D. foot & ankle surgery knee surgery & sports medicine

> David G. Brown, M.D. sports medicine knee & shoulder surgery

Michael J. Sorensen, M.D. physical medicine electrodiagnosis interventional spine care

> David J. Dowling, M.D. physical medicine electrodiagnosis interventional spine care

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Kenneth S. Weiss, M.D.



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Michael D. Neel, M.D.

